Quarterly Report as of March 31st, 2006

Siena, May 15th 2006

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SUMMARY OF OPERATIONS AND MAIN PROJECTS

This introductory section contains a summary of Group operations and projects during the first quarter of 2006. Key initiatives are analysed in more detail in the sections that follow, entirely devoted to operating developments in different business areas.

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The projects outlined in the Group's 2003-2006 Busines Plan were further implemented during the first quarter of 2006, with the aim of **increasing commercial productivity**, **improving operating efficiency** and **optimising risk management**. Out of the approx. 40 projects identified following the approval of the Plan, over 60% have already been completed, and those still under implementation will be completed before year end. Here follows a summary of the major strategic activities already completed or still under implementation.

COMMERCIAL PRODUCTIVITY GROWTH

The projects implemented by the Group in order to enhance its commercial productivity focused on the development of **specialised service models** targeted to specific customer groups, with the aim of improving quality of service. Besides some fine-tuning of existing service models, in the first quarter of 2006 the Group further implemented and nearly completed the centralisation of the Large Coporate and Financial Institutions segments into the Corporate Center, as well as the roll-out in Banca Toscana of the SME service model already being used by the other commercial banks of the Group. In Q1 the supply of products and services to customers continued to be effectively supported by the Group's product companies.

OPERATING EFFICIENCY IMPROVEMENTS

Building on the results achieved in previous financial years, more steps are being taken in 2006 to streamline operations and administration and to reduce costs, in order to improve the efficiency of the business-supporting machinery. Special attention is being devoted to the **organisational review** of network operations - which is being further implemented, with some transactional processes currently being redesigned – and to the **streamlining** of both the head office structures (Corporate Center) and of the geographical coordination units (main branches). With respect to the Group Operating Consortium, the IT management centralisation project was completed also in the main product companies, and more efficiency-improving actions were identified for the Back-Office department. Concerning **cost** reduction, special focus is currently being placed on the streamlining of administrative expenses through the development of consumption-optimising initiatives.

RISK MANAGEMENT OPTIMISATION

In compliance with the guidelines of the Basel II agreement, in 2006 the Group has been taking further action to optimise credit risk management and to improve the monitoring of market and operating risks. For **credit risks** in particular, new loan-disbursement processes targeted to specific customer groups are being developed, and those for the Small Business and SME segments have already been rolled out. Moreover, steps have been taken to optimise trend-control procedures. As far as **market and operating risks** are concerned, advanced models for their management/ mitigation and for the calculation of their capital absorption ratios are being developed. All the steps required to have these models and processes validated by the Supervisory Authorities are being taken, both for credit risks and for market and operating risks.

OTHER PROJECTS

The following projects were also pursued in Q1 2006:

- The **Group Plan of Branch Opening** was further implemented;

- The **Plan of International Presence** was furthered through the opening of more foreign branches in order to support the internationalisation of our domestic customers, as per our "International Partners" service model;

- The evolution of **payment systems** was started.

From an operating standpoint, in Q1 2006 the MPS Group confirmed the gradual improvement of the operating results recorded in previous quarters. Such results, achieved as usual by pursuing a customer-centric approach, relationships ethics and service quality, confirm the growing commercial effectiveness of our segment-specific specialised platforms as well as the increasing benefits of a policy that favours structural, long-lasting income flows (recurring fees rather than up-front fees).

Highlights

- In the **asset management business**, the quantitative and qualitative performance of the Group commercial networks was excellent, with investment flows totaling roughly EUR 3 billion (up almost 10% over Q1 2005). The overall quality profile of the product mix improved, with an increased focus on assets under management (especially funds and Unit-Linked products). **The Group consolidated its market share in key operating segments and recorded a significant growth throughout the main aggregates, especially assets under management (+11.9% since the beginning of the year).**

- In the **lending business**, the Group's commercial policy still focused mainly on medium/long term loans, underwritten both directly by the distribution networks (+16.5% new retail mortgage loans) and by the specialised financing companies (especially Consum.it, with consumer credit flows up 37% to EUR 644 million). As of March 31st 2006, **total loans** stood at EUR 83.1 billion. Our traditionally conservative lending policy, associated to strict criteria for the identification of doubtful loans, enabled the Group to confirm once again a good asset quality, with a **net NPLs+watchlist loans/total loans** ratio of **3%**.

- As far as **regulatory capital ratios** are concerned**, at 31/03/06**[1] **TIER I ratio** was estimated at 6.73% (versus 6.51% at the end of 2005), with a solvency ratio of 9.20% (9.16% at 31/12/05).

Finally, with respect to **income aggregates,** **net operating profit increased by 35.4% on an annual basis**, driven mainly by a revenue growth that led to an **improved cost/income ratio (56.7% compared to 64.8% in 2005)**. **If non-banking operations are included, the consolidated profit for the period amounts to EUR 277.5 million, up significantly (+70.1%) from March 31st 2005. ROE on end-of-period equity reached 13.3%.**

[1] Ratios were calculated according to the new "prudential filters" guidelines issued by the Bank of Italy in November 2005.

RESTATED INCOME STATEMENT AND BALANCE SHEET

The Group quarterly report was prepared pursuant to Consob Regulation no. 11971 of May 14th 1999 and subsequent resolution no. 14990 of April 14th 2005, which implemented the changes required to adjust previous guidelines to the new IAS/IFRS international accounting standards.

In compliance with such regulations, the Q1 2006 report as of March 31st 2006 was based on the new IAS/IFRS standards, especially IAS 34 (Interim Financial Reports).

The accounting standard and methods adopted by the Monte Paschi Group for its Q1 2006 report were the same as those used for the 2005 end-of-year financial statements.

The Financial Statements section at the end of this report includes the following consolidated documents and associated consolidation areas and accounting standards:

a) balance sheet

b) income statement

c) statement of changes to net shareholders' equity

d) statement of changes in financial positions

Reports on operations were also prepared in such a way as to provide a seamless continuity with the Directors' Report enclosed to the 2005 end-of-year financial statements.

The income statement and balance sheet below have been restated according to operating critieria, in order to provide a consistent basis for comparison. Major changes to the income statements of financial years 2005 and 2006 include aggregations of items and restatements aimed at making trends more easily understandable. Please notice the following:

a) the "Net income from trading/valuation of financial assets" line item of the restated income statement includes line items 80 (Net income from trading), 100 (Profits/Losses on transfer of receivables, financial assets available for sale and held to maturity and financial liabilities) and 110 (Net income from financial assets/liabilities valued at fair value);

b) the "Net value adjustments to impaired loans" line item of the restated income statement was determined by reclassifying EUR 3 million of extraordinary charges (offset by corresponding provisions) which do not pertain to continuing operations;

c) the "Other administrative expenses" line item of the restated income statement was integrated with stamp duties recoveries and customer expenses recoveries (EUR 45 million as of 31/03/06), originally posted as line item 220 (*Other operating income and charges*);

d) the "Net accruals to provisions for risks and charges and Other operating income/charges" line item of the restated income statement results from the difference between line item 220 (*Other operating* *income and charges*) and line item 190 (*Net provisions for risks and charges)*, further changed as described in b) above.

Moreover, in order to make the income contributed by the insurance business more immediately visible, the presentation layout was changed by merging into one line item – called "Income from insurance operations" – line items 150 (Net premiums) and 160 (Income and charges from insurance operations), plus the contribution of the insurance business to total income (amounting to EUR 150.5 million, broken down as follows: interest income +115.2; net fees –3.3; net income from trading +10.2; net income from financial assets valued at fair value +28.4).

Furthermore, to make a consistent annual comparison possible, the data at March 31st 2005 were restated by including, whenever necessary, an estimate of the impact of IAS 32 and 39 (based on reasonable elements, so as to provide a reliable representation of data), as well as the new classification guidelines issued by the Bank of Italy with Circular Letter 262 of December 22nd 2005.

The major reclassification changes made to the consolidated **balance sheet** are as follows:

e) the "Financial assets available for trading" line item of the restated balance sheet includes line items 20 (*Financial assets held for trading*), 30 (*Financial assets valued at fair value*) and 40 (*Financial assets available for sale)*;

f) the "Other assets " line item of the restated balance sheet includes line items 80 (*Hedging derivatives*), 90 (*Value adjustments to covered financial assets*), 140 (*Tax assets*), 150 (*Non-current assets and asset classes under disposal*) and 160 (*Other assets*);

g) the "Customer deposits and securities issued" line item of the restated balance sheet includes line items 20 (*Customer deposits*), 30 (*Securities outstanding*) and 50 (*Financial liabilities valued at fair value)*;

h) the "Other liabilities" line item of the restated balance sheet includes line items 60 (*Hedging derivatives*), 70 (*Value adjustments to covered financial liabilities*), 80 (*Tax liabilities*), 90 (*Liabilities on asset classes under disposal*) and 100 (*Other liabilities*).

■ RESTATED BALANCE SHEET (in million €)

ASSETS	31/03/06	31/12/05
Cash and cash equivalents	442	563
Receivables:		
a) Customer loans and advances	83,145	83,526
b) Amounts due by banks	11,099	9,994
Financial assets held for trade	43,560	45,819
Financial assets held to maturity	4,193	4,302
Tangible and intangible assets	3,461	3,517
Other assets	3,445	5,314
Total assets	**150,061**	**153,749**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/03/06	31/12/05
Payables:		
a) Customer deposits and securities issued (°)	92,082	94,279
b) Amount due to banks	17,060	16,207
Financial liabilities from trading	15,752	17,106
Reserves for specific use		
a) Staff severance indemnity reserve	403	403
b) Pension funds	385	549
c) Other reserves	591	586
Other liabilities	4,202	5,383
Technical reserves	11,936	11,922
Group shareholders' equity	7,616	7,268
a) Valuation reserves	591	618
b) Reimbursable shares	0	0
c) Capital instruments	46	46
d) Reserves	4,128	3,346
e) Share premium account	548	539
f) Share capital	2,026	2,026
g) Treasury shares (-)	-1	-97
h) Profit (Loss) for the period	277	790
Minority interests	34	46
Total liabilities and shareholders' equity	**150,061**	**153,749**

(°) Data at 31/3/06 and 31/12/05 include funding through Index-linked policies, posted under "Customer deposits" - "Other payables" in "Insurance Companies" (EUR 6.587 million as of 31/3/06)

MPS Group

■ RESTATED INCOME STATEMENT (in million €)

	31/03/06	31/03/05 Restated (*)	Changes Abs.	%
Interest income	**647.0**	**635.1**	**11.9**	**1.9%**
Net fees	461.8	431.1	30.7	7.1%
Basic income	**1,108.9**	**1,066.2**	**42.6**	**4.0%**
Dividends, similar income and profits (losses) from equity investments	19.7	23.0	-3.3	-14.5%
Net income from trading/valuation of financial assets	162.6	64.7	97.9	151.4%
Net income from hedging activities	0.3	-4.3	4.6	ns.
Income from insurance operations	32.4	24.5	7.9	32.3%
Total income	**1,323.9**	**1,174.2**	**149.7**	**12.8%**
Net value adjustments to impaired:				
a) loans	-107.5	-89.2	18.2	20.4%
b) financial assets	-1.9	1.1	ns.	ns.
Net total income	**1.214.5**	**1.086.1**	**128.4**	**11.8%**
Administrative expenses	-718.6	-708.0	10.5	1.5%
a) personnel expenses	-474.5	-475.5	-1.0	-0.2%
b) other administrative expenses	-244.0	-232.5	11.5	5.0%
Net value adjustments to tangible and intangible assets	-32.5	-35.8	-3.3	-9.3%
Operating charges	**-751.0**	**-743.8**	**7.2**	**1.0%**
Net operating income	**463.5**	**342.2**	**121.2**	**35.4%**
Net accruals to provisions for risks and charges and Other operating income/charges	1.1	-17.6	-16.5	-106.1%
Net income from valuation of tangible and intangible assets at fair value	0,0	0,0	0,0	ns.
Value adjustments to goodwill	0,0	-14,5	14,5	ns.
Profits (Losses) from investments sold	0,01	0,0	0,0	ns.
Profit (Losses) from current operations before taxes	**464,5**	**310,1**	**154,4**	**49,8%**
Income taxes on current operations	-183,8	-142,2	41,6	29,3%
Profit (Losses) from current operations after taxes	**280,7**	**168,0**	**112,7**	**67,1%**
Profit (Losses) from non-current operations under divestiture after taxes	0,0	-0,1		
Minority interests in profits (losses) for the period	-3,2	-4,7	-1,5	-32,0%
Profit (Losses) for the period	**277,5**	**163,1**	**114,4**	**70,1%**

(*) Data were restated according to IAS/IFRS standards so as to include the estimated impact of IAS 32/39 on financial instruments as well as the impact of Bank of Italy Circular Letter no. 262 of December 2005.

QUARTERLY EVOLUTION
OF THE RESTATED INCOME STATEMENT (in million €)

MPS Group	Year 2006 Q1 06	Year 2005 (*) Q4 05	Q3 05	Q2 05	Q1 05	Average Q '05	31/12/05
Interest income	**647.0**	**673.2**	**636.8**	**633.1**	**635.1**	**644.5**	**2,578.1**
Net fees	461.8	459.2	441.0	449.9	431.1	445.3	1,781.2
Basic income	**1,108.9**	**1,132.4**	**1,077.7**	**1,083.0**	**1,066.2**	**1,089.8**	**4,359.4**
Total income	**1,323.9**	**1,179.7**	**1,173.6**	**1,200.0**	**1,174.2**	**1,181.9**	**4,727.5**
Net value adjustments to impaired:							
a) loans	-107.5	-124.7	-103.7	-109.2	-89.2	-106.7	-426.9
b) financial assets	-1.9	-137.7	-3.7	1.1	1.1	-34.8	-139.2
Net total income	**1,214.5**	**917.3**	**1,066.1**	**1,091.9**	**1,086.1**	**1,040.3**	**4,161.4**
Operating charges	**-751.0**	**-815.8**	**-761.2**	**-743.8**	**-743.8**	**-766.2**	**-3,064.7**
Net operating income	**463.5**	**101.5**	**304.9**	**348.0**	**342.2**	**274.2**	**1,096.7**
Profit (Losses) from current operations before taxes	**464.5**	**166.2**	**298.0**	**320.9**	**310.1**	**273.8**	**1,095.2**
Profit (Losses) for the period	**277.5**	**216.5**	**201.3**	**209.3**	**163.1**	**197.5**	**790.2**

(*) To make operating trends more clearly understandable and the evolution of aggregates more consistent, previous quarters were restated so as to include the estimated impact of IAS 32/39 on financial instruments as well as the impacts of Bank of Italy Circular Letter no. 262 of December 2005

CONSOLIDATED REPORT ON OPERATIONS

Financial highlights as of March 31st 2006

KEY DATA AND RATIO ANALYSIS

MPS GROUP	31/03/06	31/03/05 (1)	% chg.
• PROFIT AND LOSS AGGREGATES (in million €)			
Total income	1,323.9	1,174.2	12.8
Net operating income	463.5	342.2	35.4
Net profit for the period	277.5	163.1	70.1
• BALANCE SHEET AGGREGATES (in million €)	**31/03/06**	**31/03/05**	**Var.%**
Direct funding (2)	85,495	81,604	4.8
Indirect funding	110,312	107,235	2.9
of which Assets under Management	*49,726*	*44,440*	11.9
of which Assets under Custody	*60,586*	*62,795*	-3.5
Customer loans and advances	83,145	77,796	6.9
Group shareholders' equity	7,616	6,388	19.2
		at 1.01.05	
• CREDIT QUALITY RATIOS (%) (estimates)	**31/03/06**	**31/12/05**	
Net non-performing loans/Customer loans and advances	1.94	1.88	
Net watchlist loans/Customer loans and advances	1.01	1.23	
• PROFITABILITY RATIOS (%)	**31/03/06**	**31/12/05**	
Cost/Income ratio	56.7	64.8	
Operating Cost/Income ratio (3)	55.5	63.3	
R.O.E. (average net equity)	12.3	11.6	
R.O.E. (end-of-period net equity)	13.3	12.9	
Net loan loss provisions / End-of-period loans	0.52	0.51	
• CAPITAL RATIOS (%)	**31/03/06 (a)**	**31/12/05 (a)**	
Solvency ratio	9.20	9.16	
Tier 1 ratio	6.73	6.51	
(a) calculated using Bank of Italy prudential filters. Data at 31/03/06 are estimates.			
• INFORMATION ON BMPS STOCK	**31/03/06**	**31/12/05**	
Number of ordinary shares outstanding	2,448,491,901	2,448,491,901	
Number of preference shares outstanding	565,939,729	565,939,729	
Number of savings shares outstanding	9,432,170	9,432,170	
Ordinary share price:			
average	4.24	3.13	
low	3.72	2.43	
high	4.84	4.17	
• OPERATING STRUCTURE	**31/03/06**	**31/12/05**	**Abs. chg.**
Total headcount at end of period	26,769	26,542	227
Number of branches in Italy	1,896	1,886	10
Number of foreign branches and Representative Offices	32	30	2

(1) The P&L and balance sheet data at March 31st 2006 in this table are compared to data for the same period of 2005, restated according to IAS/IFRS standards so as to include the estimated impact of IAS 32 and 39 as well as the impact of Bank of Italy Circular Letter no. 262 of December 2005

(2) Balance sheet data at 31/3/06 and 31/12/05 do not include funding through Index-linked policies, posted as usual in "Assets under Management".

(3) The operating cost-income ratio does not include operating charges from staff early retirement booked at 31/3/06 (roughly EUR 16 million) and at 31/3/05 (EUR 36 million).

REPORT ON OPERATIONS

DOMESTIC COMMERCIAL BUSINESS AND CUSTOMER PORTFOLIO

During the first quarter of 2006 the Group's **commercial performance recorded very good quantitative and qualitative results, and efforts aimed at fully leveraging personal relationships with existing and potential customers gained further momentum.** These results were achieved by guaranteeing high-quality structural relationships with customers at all times, in order to meet the investment needs of private households in such a way as to increase their confidence level while at the same time providing adequate financial and advisory support to corporate customers. **This enabled the Group to further improve its overall positioning and to extend its offering of products and services to new business ares**. Here follows a description of the main elements that characterised asset management and lending commercial operations.

1) ASSET MANAGEMENT

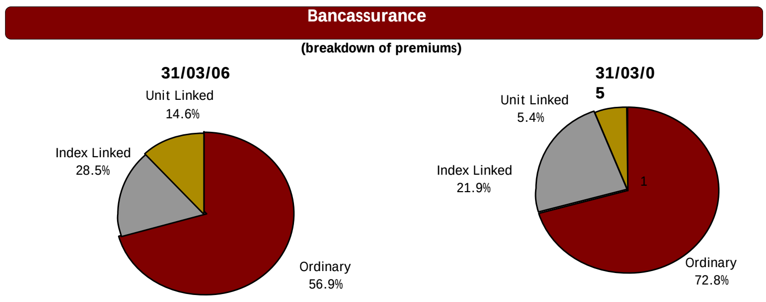
With respect to **asset management**, the Group's commercial networks achieved a very good performance, with **new investment flows totaling close to EUR 3 billion (up almost 10% from Q1 2005 and over 30% from Q1 2004).** As usual, the asset allocation process was consistent with customer risk profiles.

The follows table shows the allocation of investments to the main products of the MPS Group. The overall product mix profile has improved and is now characterised by **an increased focus on assets under management (mainly funds and Unit-Linked products):**

Allocation to Group products

in million €		As at 31/03/06	As at 31/03/05
Mutual funds/Sicavs		-380	-117
Individual portfolio management		437	136
Life insurance policies	*of which:*	1,119	1,325
	Ordinary	637	964
	Index Linked	319	290
	Unit Linked	163	71
Strctured/linear bonds		1,680	1,280
Total		2,856	2,624

- **<u>In the life insurance business,</u> premiums underwritten totaled EUR 1,119 million**, thus placing the Group once again among the leading players in the bancassurance/postal system, **with an end-of-period market share of 8.5%**. With respect to new business for the MPV Group, at 31/03/06 premiums underwritten amounted to EUR 833 million. This aggregate also benefited from a positive contribution by Quadrifoglio Vita Spa (50% of which is owned by Banca Agricola Mantovana), with EUR 186 million's worth of premiums underwritten during the first quarter of 2006. An analysis of premiums shows a shift towards Index-Linked and Unit-Linked products, with ordinary policies suffering from a downturn that characterised the whole market in Q1.



- **Net <u>individual and collective assets under management</u> increased by approx. EUR 57 million;** more specifically:

  - **<u>mutual funds and Sicavs</u> flows were negative by EUR 380 million** (further down from EUR -117 million in the first quarter of 2005) due to a shift from monetary funds (net flows: EUR -795 million) to other, more dynamic investment products;

  - **net <u>individual portfolio management</u> flows amounted to EUR 437 million** (vs. EUR 136 million at 31/03/05), resulting from an increase by EUR 685 million in funds and Sicavs and from a decrease by EUR 248 million in ordinary investments;

- **<u>Bond volumes</u>** totaled **EUR 1,680 million (31/03/05: EUR 1,280 million)**, broken down as follows:

  - **<u>structured bonds:</u>** EUR 674 million;

  - **<u>linear bonds:</u>** EUR 1,006 million.

2) LENDING

The MPS Group's commercial activity combined support to corporate customers with an extremely rigorous and selective approach to lending, with a further shift towards medium- and long-term loans often secured by collaterals. **Disbursements by the networks and the specialised credit companies amounted to EUR 3.5 billion, up 19% from Q1 2005 and up more than 40% over the same period of 2004**. More specifically, **mortgage loans granted to customers by the Group's main networks** exceeded EUR 2 billion (+16.5% compared to the very good performance of March 2005), with retail customers accounting for EUR 1 billion of disbursements (+7.7%).

MORTGAGE LOAN DISBURSEMENTS(*) TO RETAIL , CORPORATE AND PRIVATE CUSTOMERS

in million €	31/03/06	31/03/05	Abs. chg. yoy	% chg. yoy
Monte dei Paschi di Siena	1,058	851	207	24.4
Banca Toscana	478	374	104	27.8
Banca Agricola Mantovana	466	493	- 27	-5.5
Mps Banca Personale	16	14	2	14.3

(*) ex. disbursements for public works

In the specialised lending business, the performance of **Consum.it (consumer credit)**, which focuses on retail customers, was particularly impressive, with overall consumer credit disbursements totaling approx. EUR 644 million (+37% compared to March 31st 2005, with **market share up 5% versus 4.6% in December 2005). Leases to corporate customers** grew satisfactorily, **with a 3.8% market share (compared to 2.7% at the end of 2005). Factoring** also performed well. Loans disbursed to manufacturing and agricultural companies by Mps Banca per l'Impresa remained high (+13%).

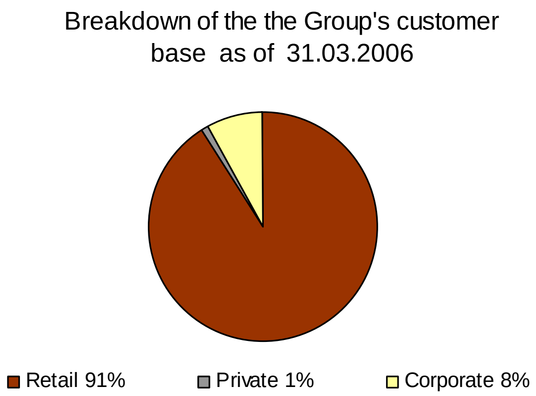
- Specialised lending and financial products for corporate customers

in million €		Data as of 31/03/06	Data as of 31/03/05
MPS Finance			
	risk management (1)	1,049	1,152
MPS Banca per l'Impresa			
	disbursements	600	530
MPS Leasing & Factoring			
o/w:	new leases executed	399	326
	factoring turnover	1,146	925
Consumit			
	disbursements	644	470

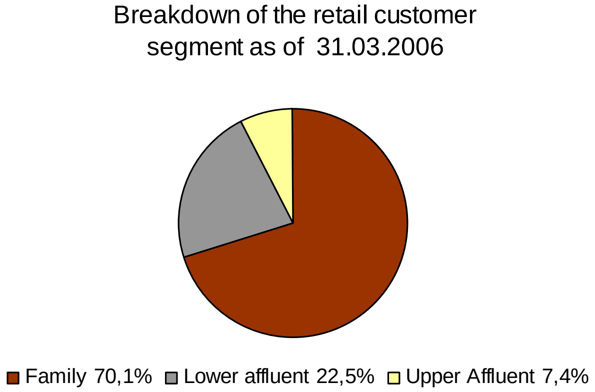
(1) data also include products issued directly by the networks

3) CUSTOMER PORTFOLIO

Including Consum.it direct customers, **the Group's overall customer base increased further since the end of last year and numbered roughly 4.5 million on March 31st 2006. Commercial networks**[2] **totaled 4,130,000 customers**, with Retail customers accounting for 91%, Private customers for 1% and Corporate customers for the remaining 8%.

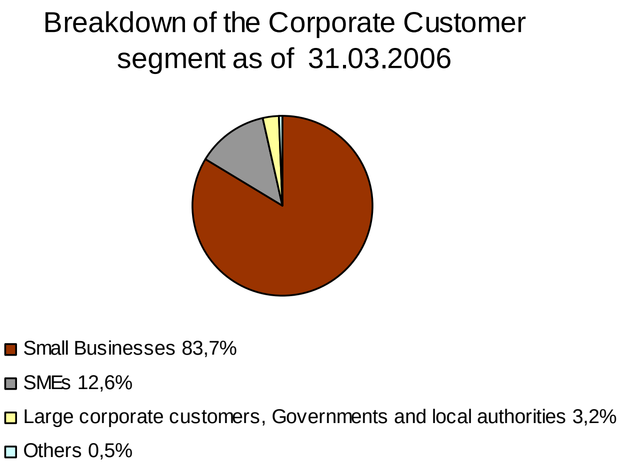


Among the roughly 3,756,000 **Retail** customers, the **Family segment** (assets lower than EUR 25,000) is the largest group, accounting for over 70% of the total, followed by the Lower Affluent segment (assets between EUR 25,000 and 125,000) and by the Upper Affluent segment (assets between EUR 125,000 and EUR 500,000).



[2] Includes customers of: Banca Monte dei Paschi, Banca Toscana, Banca Agricola Mantovana and Mps Banca Personale.

The Small Business segment accounts for 83.7% of the **approx. 349,000 Corporate customers**, with SMEs accounting for 12.6%.



CAPITAL AGGREGATES

The asset management and lending areas described above, combined to the commercial operations of the Group's international network, resulted in a significant improvement of the main capital aggregates, as highlighted below.

1) FUNDING AGGREGATES

The asset management business furthered a significant progress in overall funding (+3.7% yoy) and an additional improvement in product mix quality, with a shift towards assets under management.

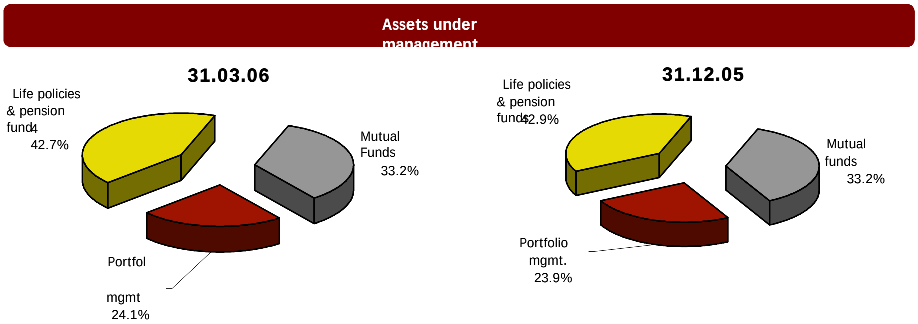
 DIRECT AND INDIRECT FUNDING (in million €)

	31/03/06	% chg yoy 31/03/05	l% weight 31/03/06
Direct funding (*)	**85,495**	**4.8%**	**43.7%**
Indirect funding	**110,312**	**2.9%**	**56.3%**
assets under management	*49,726*	11.9%	25.4%
assets under custody	*60,586*	-3.5%	30.9%
Total funding	**195,807**	**3.7%**	**100%**

(*) Funding through Index-Linked policies was eliminated from the balance sheet and notes to the the accounts as at 31/3/06 and 31/12/05 and posted as usual in the "Assets under management" aggregate

With respect to **indirect funding, which stood at EUR 110,312 million as of 31/03/06 (+2,9% compared to 31/03/05):**

- **assets under management grew by 11.9% to EUR 49.726 million (up an astonishing +1.3 billion since the beginning of the year)**, with life insurance policies and pension funds accounting for 42.7% of the total (vs 42.9% as of 31/12/05).



Highlights:

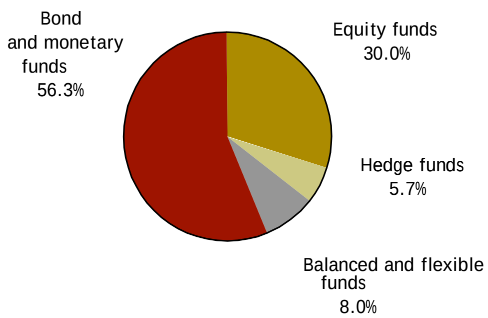
- **Technical reserves for <u>insurance policies</u> underwritten by the Group's commercial networks totaled EUR 21,221 million,** confirming a significant upward trend (roughly 13% over 31/03/05), with traditional policies giving a strong contribution;

- **<u>Mutual investment funds and Sicavs</u> managed by the Group came to EUR 16,501 million,** growing by more than 8% over March 31st 2005.

The following chart shows a breakdown of assets under management by type. Though confirming a renewed interest in equity funds (which account for 30% of the total, vs 29.2% at the end of 2005, 25.8% at the end of 2004 and 24.8% at 31/12/2003), the product mix could still change considerably, especially in its monetary component.

Mutual funds

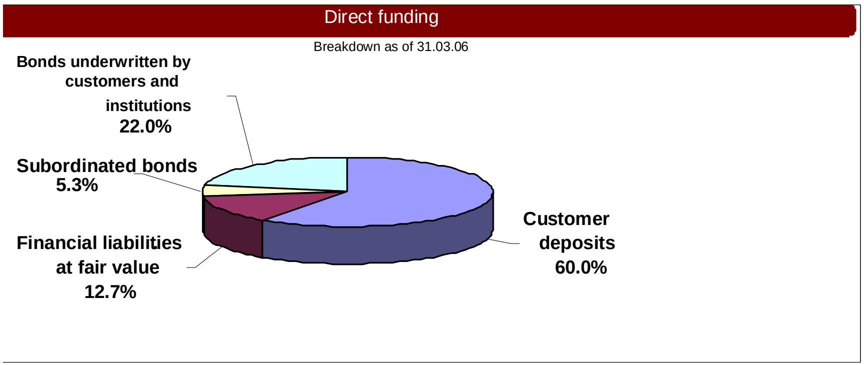
Breakdown of assets by type at 31.03.06



- **<u>Individual portfolios under management</u> amounted to EUR 12,004 million,** up more than 14% over 31/03/05.

- **<u>Assets under custody</u>** totaled EUR 60,586 million, up EUR 169 million since the end of 2005.

Finally, **<u>direct funding</u>** came to EUR 85,495 million, leaving the **domestic market share stable vis-à-vis 31/03/05 (6.57%),** with a significant year-on-year progress (+4.8% compared to restated data at 31/03/05) driven mainly by bonds underwritten by Retails customers and by short-term deposits. Here follows a breakdown by product of this aggregate:



The table below shows a geographical breakdown of customer deposits among Italian branches:

MPS GROUP
Deposits
Ordinary resident customers of Italian branches – amounts in million €

Areas	Amounts		% weight		
	31.03.06	% chg yoy	31.03.06	31.03.05	Chg yoy
Northern Italy	9,211	5.2	21.9	21.8	0.1
Central Italy	22,357	3.7	53.2	53.8	-0.6
Southern Italy and islands	10,464	7.1	24.9	24.4	0.5
Total Italy	42,032	4.8	100.0	100.0	0.0

as well as a breakdown by business segment:

Customer deposits by business segment*
in million €

	31/03/06	% chg Mar06/Mar05	% weight 31/03/06	% weight 31/03/05
Retail	36,417	8.9%	59.5%	60.2%
Corporate	19,692	10.1%	32.2%	32.2%
Private	2,831	11.8%	4.6%	4.6%
Large Corporate	2,298	33.1%	3.8%	3.1%
Total	**61,237**	**10.1%**	**100.0%**	**100.0%**

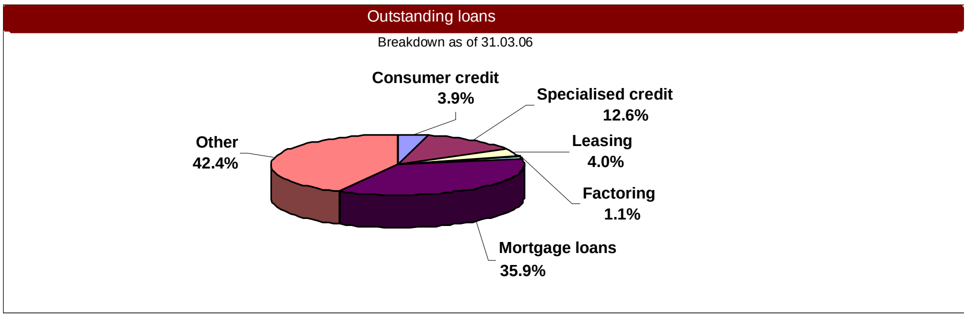
*Deposits by domestic customers

2) LENDING AGGREGATES

A) GROUP COMMERCIAL ACTIVITY

The significant disbursements described above resulted in EUR 83,145 million's worth of outstanding loans (+6.9% compared to restated data at 31/03/05). Growth was mainly driven by domestic performing loans, which grew by 8.8% **(resulting in a 6.18% market share)** thanks to the key contribution of medium- and long-term loans (+12.8%), which once again offset an only marginal increase in short-term loans (+2.5%).

The charts below show a breakdown of consolidated loans by type:



by geographical distribution among customers of Italian branches:

MPS GROUP
Loans to ordinary resident customers of Italian branches
Breakdown by geographical area *in million €*

Areas	31.03.06	% chg	% weight	
		Mar06/Mar05	31.03.06	31.03.05
Northern Italy	24,701	5.4	32.8	33.9
Central Italy	34,988	9.8	46.5	46.1
Southern Italy/islands	15,526	12.0	20.6	20.0
TOTAL	75,214	8.8	100.0	100.0

and by business segment:

Loans by business segment*
in million €

		% chg	% weight	
	31/03/06	Mar06/Mar05	31/03/06	31/03/05
Retail	21,673	22.0%	29.1%	26.1%
Corporate	48,787	5.8%	65.6%	67.7%
Private	399	24.7%	0.5%	0.5%
Large Corporate	3,566	-9.4%	4.8%	5.8%
Total	**74,424**	**9.2%**	**100.0%**	**100.0%**

*Performing loans to domestic customers

B) CREDIT QUALITY

At the end of the first quarter 2006 the Group's exposure to doubtful loans had decreased significantly compared to the end of 2005, driven mainly by a decline in watchlist loans. **The doubtful loans/total loans ratio was fairly low, with NPLs and watchlist loans (ex. value adjustments) remaining basically unchanged vis-à-vis the end of last year (3%).**

BREAKDOWN OF CUSTOMER LOANS BY RISK CATEGORY

Risk category - Net book values	**31/03/06**	**31/12/05**	**% weight**	**% weight**
in million €			**31/03/06**	**31/12/05**
A) Doubtful loans	**4,178**	**4,442**	**5.03**	**5.32**
a1) Non-performing loans	1,617	1,573	1.94	1.88
a2) Watchlist loans	844	1,026	1.01	1.23
a3) Restructured loans	93	88	0.11	0.10
a4) Loans past due	1,625	1,756	1.95	2.10
B) Performing loans	**78,467**	**78,701**	**94.37**	**94.22**
C) Other assets	**499**	**383**	**0.60**	**0.46**
Total customer loans	**83,145**	**83,526**	**100.0**	**100.0**

The ratio mentioned above results from a limited growth of gross exposure combined to a good management of NPLs by MPS Gestione Crediti Banca. More specifically, in the first quarter of 2006 **overall collections for the Group amounted to EUR 134 million (+20.1% over 31.03.05)**.

With respect to provisions for doubtful loans, value adjustments stood at 34.5% of overall exposure (including interests on arrears), amounting to 51.8% for NPLs only.

- **%WEIGHT OF VALUE ADJUSTMENTS**

	31/03/06	31/12/05	31/12/04
value adjustments on NPLs and watchlist loans/ gross NPLs + gross watchlist loans	46.1%	44.9%	39.8%
value adj. on watchlist loans/gross watchlist loans	30.2%	26.0%	19.6%
value adjustments on NPLs/gross NPLs	51.8%	52.8%	49.2%

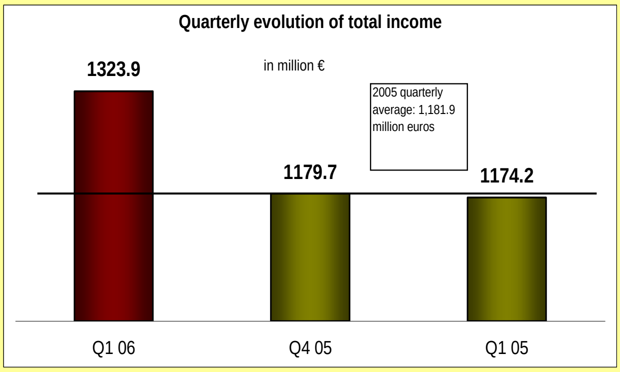
Finally, loans past due - currently posted to "doubtful loans" as required by the Supervisory Authority - are expected to decline considerably in the long run, since they now include some performing loans that will be posted more appropriately in the future following an organisational review.

INCOME AGGREGATES

The trends described above resulted in a significant improvement of operating profitability (with net operating income up 35,4%) and of end-of-period profits (+70.1%), as detailed below.

1) CORE BUSINESS

☐ OPERATING INCOME AND TOTAL INCOME



Q1 2006 was up 12.2% over the previous quarter and 12.8% over Q1 2005.

As of March 31st 2006, **total income amounted to EUR 1,323.9 million (up 12.8% over 31/03/2005)**, with **the "core component" (interest income + customer fees) up 4% from the previous year.**

Development of key aggregates can be described as follows:

▪ **Interest income totaled EUR 647 million, with a 1.9% growth over the first quarter of 2005.** The Commercial Areas contributed with an overall 3.8% increase, driven by an 8% growth in average volumes which was however partially offset by a 20 bp drop in interest spreads. Proprietary finance and treasury remained basically unchanged vis-à-vis the previous financial year;

▪ **Net fees totaled EUR 461.8 million, with a 7.1% increase over 31.03.2005.** In particular, fees from traditional banking services increased by 1.3% and fees from asset management services were up 17.4%, supported by an increased pace in the growth of assets under management during the second half of the year. Fees from the tax collection business were up 7.5%. A quarter-over-quarter comparison shows a 0.6% increase in fees vis-à-vis the fourth quarter of the past financial year.

▪ **Dividends, similar income and profits/losses from financial transactions** amounted to **EUR 19.7 million (down from 23 in the first quarter of 2005);**

▪ **Net income from trading/valuation of financial assets** totaled EUR 162.6 million (compared to EUR 64.7 million at 31/03/2005), with a significant improvement in the trading business of the Parent Bank and its subsidiaries, combined to a revaluation of the derivatives deal signed by BMPS and JP Morgan following the sale of stock underlying the "put ex Bam" option. This aggregate was also positively influenced by profits from the disposal of assets available for sale, mainly related to:

- the dismissal of the whole FIAT stake on January 19th 2006 (approx. EUR 25 million before taxes);

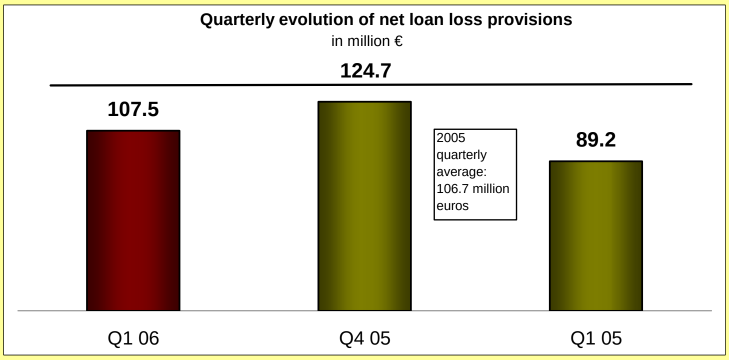
- a deal on the dismissal of BNL stock, closed on March 29th and 30th 2006 upon expiry of call, put and securities lending contracts (approx. EUR 54 million before taxes).

NET INCOME FROM TRADING/VALUATION OF FINANCIAL ASSETS (in million €)

	31/03/06
Income from trading	93.6
Profits/Losses from transfer of receivables, fin.assets available and financial liabilities	74.3
Net income from financial assets and liabilities valued at fair value	-5.3
Net total income from trading/ valuation of financial assets	**162.6**

- **Income from insurance operations** totaled EUR 32.4 million, with a significant increase (+32.3%) over the first quarter of 2005.

LENDING EXPENSES: NET VALUE ADJUSTMENTS ON DOUBTFUL LOANS AND FINANCIAL ASSETS



Q12006 was up 20.4% over Q1 2005, but down 13.8% over the previous quarter.

In the first quarter of 2006, income from the lending business was associated to **<u>net value adjustments on doubtful loans</u> totaling EUR 107.5 million, up from EUR 89.2 million in the previous financial year but basically in line with the quarterly average of 2005 (EUR 106.7 million).** This trend reflects an improvement in the Group's loan portfolio, which also benefited from the roll-out of new loan-granting and monitoring processes.

Consequently, **<u>total income</u> came to EUR 1,214.5 million, with a 11.8% growth over 31/03/05.**

OPERATING COSTS

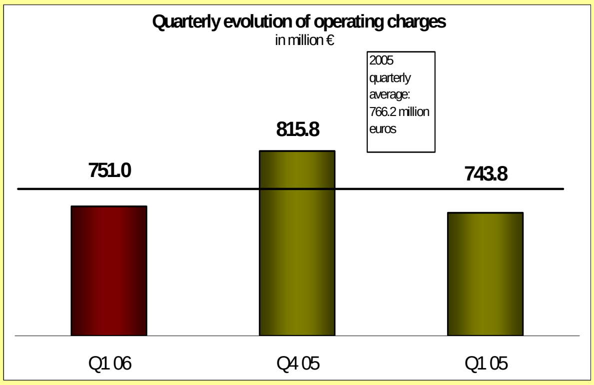
Building on the results achieved during previous years, initiatives aimed at structural cost reductions continued in Q1 2006. Despite significant investments in communication and geographical expansion, this enabled the Group **to close the first quarter with only a limited increase in operating charges (+1%), in line with planned targets.**

OPERATING CHARGES (in million €)

	31/03/06	31/03/05	Absolute changes	%
Personnel costs	474.5	475.5	-1.0	-0.2
Other administrative expenses	244.0	232.5	11.5	5.0
Total administrative expenses	**718.6**	**708.0**	**10.5**	**1.5**
Value adjustments to tangible and intangible assets	32.5	35.8	-3.3	-9.3
Total operating charges	**751.0**	**743.8**	**7.2**	**1.0**

Highlights

A) **Admistrative expenses** grew by 1.5% over **31/03/05,** owing to the following reasons:



Q1 2006 was up slightly (+1%) over Q1 2005, but down 7.9% over the previous quarter.

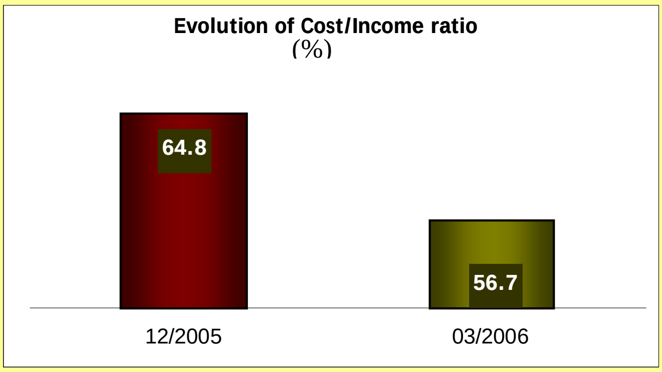
- **Personnel costs totaled EUR 474.5 million, down 0.2% vis-à-vis 31/03/05**. This reflected the implementation of initiatives identified in the 2003-2006 Business Plan and focused on headcount reduction and recomposition, as well as on measures aimed at reducing other significant costs. **This line item includes approx. EUR 16 millio's worth of early retirement incentives (versus EUR 36 million as of 31/03/05).**

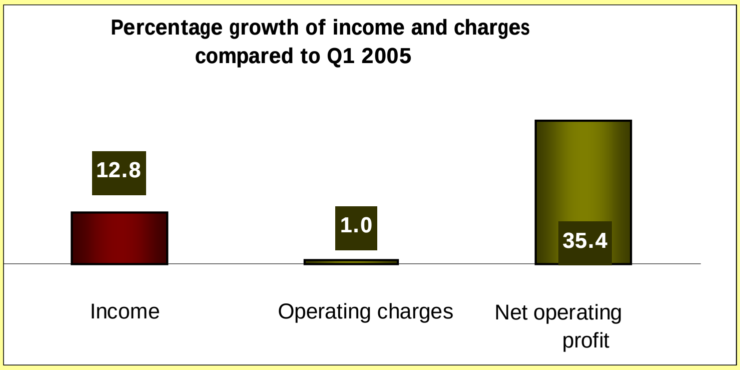
- **Other administrative expenses (totalling EUR 244 million** after recovery of stamp duties) **increased by 5%** because of the costs associated to network expansion, development of rapidly growing business segments (consumer credit) and support to technological innovation.

B) **Net value adjustments on tangible and intangible assets** amounted to **EUR 32.5 million**, down 9.3% compared to the first quarter of 2005.

Given the income and cost trends described above, net operating income came to EUR 463.5 million, up 35.4% from EUR 342.2 million at March 31st 2005. The cost-income ratio, which obviously benefited from the dismissals mentioned above, dropped to 56.7% (compared to 64.8% at 31/12/05). If extraordinary charges for early retirement incentives are deducted, the cost-income ratio decreases further to 55.5%.

EVOLUTION OF COST/INCOME RATIO, INCOME AND CHARGES





2) NON-CORE BUSINESS, TAXES AND NET INCOME

Net income for the period was influenced by negative **net provisions for risks and charges and Other operating income/expenses,** which totaled EUR -1.1 million vs. EUR –17.6 million in the first quarter of 2005.

The trends described above resulted in a gross operating income before taxes of EUR 464.5 million (up 49.8% over 31/03/05).

Finally, **taxes on income from ordinary operations** totaled EUR 183.8 million (compared to EUR 142.2 million as of 31/03/2005), with an approx. 39.6% tax rate. **Therefore, including minority interests and the contribution of the items discussed above, consolidated net profit for the quarter amounted to EUR 277.5 million, up 70.1% over March 31st 2005. Annualised ROE was 13.3%, (with ROE on average net equity at 12.3%).**

These results benefited from a positive contribution by the Parent Bank (Banca MPS) and by all Group Business Units (described later in the Segment Reporting section), especially **Banca Agricola Mantovana** (EUR 30.1 million) and **Banca Toscana** (EUR 28.9 million).

SEGMENT REPORTING, COMMERCIAL POLICY, R&D

1) PRIMARY SEGMENT REPORTING

In compliance with *Segment Reporting* procedures required by IAS regulations, the MPS Group has adopted a business approach, deciding to base its **primary segmentation** of income/capital data on **a breakdown of results by business areas involved in its consolidated operations**.

According to this approach, at 31/03/2006 the summary overview of the results achieved by those areas was as follows:

SEGMENT REPORTING - PRIMARY SEGMENTATION
(in million €)

31/03/06	Retail Banking	Private Banking	Corporate Banking	Investment Banking	Other areas	Corporate Center	Reclassified Group total
P&L DATA							
Total income	**502.4**	**35.4**	**452.0**	**133.9**	**131.7**	**68.4**	**1,323.9**
Net value adjustments to doubtful loans and financial assets	-29.7	-0.1	-73.8	0.0	-1.0	-4.7	-109.4
Operating charges	-301.2	-16.5	-242.0	-25.0	-104.0	-62.4	-751.0
Net operating income	**171.5**	**18.8**	**136.2**	**108.9**	**26.7**	**1.3**	**463.5**
CAPITAL AGGREGATES							
Performing customer loans	21,673	399	48,787	13	8,116	2,540	81,528
Customer deposits and securities issued	36,417	2,831	19,692	188	11,788	14,580	85,495
Cost/Income ratio	60.0%	46.6%	53.5%	18.7%	78.9%	n.a.	56.7%

The following sections highlight the operations and results of each business area mentioned above.

A) RETAIL BANKING

☐ COMMERCIAL POLICY AND PRODUCT/SERVICE INNOVATION

In a market scenario still characterised by a **conservative approach to investments**, activities focused on the **development of instruments** capable of protecting the customers' capital base while at the same time **providing opportunities to benefit from market upturns**.

Concerning product innovation, the **asset management** area successfully launched a fund called "Ducato Multimanager Cash Premium". **Falling under the category of Assogestioni flexible funds**, the new fund aims at achieving significantly higher returns vis-à-vis liquidity products with basically limited risks, thereby **enabling Retail customers to invest directly in hedge funds** or other asset classes that are usually unavailable to them.

In non-life bancassurance, in order to guarantee a better knowledge of and more visibility to the **health and property protection products offered by the Group,** a pilot project featuring ad-hoc information counters for the "Casualty" insurance business was started in some branches of Banca Monte dei Paschi.

With respect to **project "Banca per la Previdenza"** - an operating solution developed by the Group to seize new market opportunities arising from the reform of the Italian social security system - the first quarter of this financial year was devoted to the implementation of a **broad training and awareness program for the sales network**, with special focus on individual subscriptions by Retail customers.

To enhance the Group's share of the current accounts business, **a new product line for young customers** between 18 and 35 is currently being completed, and marketing is expected to start in the second quarter of the year. This product targets three different types of young customers - students, young salaried workers and young independent workers – through **a mix of banking** (transactional and lending) **and non-banking services aimed at meeting both the professional and personal needs of that customer segment**.

Finally, the fourth and last section of the **"Consumer Lab" program**, entitled "Guidelines for customer-oriented information on financial products and services" was started during the first quarter. In particular, it was suggested that the regular and/or extraordinary statements and letters sent by banks to their customers be revised, in order to make them even clearer and more easily understandable.

- Consumer credit

The demand for loans by private households remained particularly strong, thus favouring considerable disbursements of **Retail mortage and personal loans that allowed the MPS Group to strenghten its leadership position**. A contribution to this achievement came from several product-innovation initiatives implemented by the Group's commercial networks.

In particular, the offering of **Personal loans** was broadened and targeted to specific customer segments, such as **salaried workers** (in compliance with the “loans-up-to-a-fifth-of-salary” guidelines of the 2005 Italian Financial Law), **graduate students** (to allow them to pay for specialisation or post-graduate courses at the end of their basic university career); and **atypical workers.**

The Group also launched a new lending product line called **“Prs Carattere” for Affluent customers only**, characterised by **very short processing times and particularly favourable rates, durations and amounts**.

Initiatives for the quarter included the development of "**Casaleasing**", a **real estate lease on holiday homes** designed for private citizens who already own a house - in a nutshell, a financial lease on property for “tourism-oriented residential use”.

For information on the latest developments in **payment systems** for Retail customers, *see the“Payment Systems ” section.*

☐ SERVICE MODELS

As of march 31st 2006, **Affluent customers** served by the Carattere platform were approx. 580,000, well over half the overall Affluent segment. Positive results were achieved **both in terms of volumes and asset portfolio mix, with additional benefits coming from an increase in the average duration of investments** (roughly 4.5 years, compared to 3 years for customers served in the traditional way).

The Family platform, involving approx. 2,640,000 customers, has been almost completely rolled out throughout the Group's network. **Consolidated data for the quarter** confirm an increase in both contacts and volumes compared to 2005 values, with a positive fall-out on personal relationships and, consequently, on **customer loyalty**.

☐ OPERATING RESULTS

With respect to **commercial flows**, funding volumes in the Retail area (EUR 2,140 million) grew by 8% over the same period of the previous year. The lending business also performed satisfactorily, with an 11% increase in disbursements compared to the same quarter of 2005.

More specifically, volumes in different areas showed the following trends:

➢ **Funding products**

- Bond placements were particularly favoured by customers, with a 34% increase in flows over March 2005;
- in the insurance business, premiums underwritten totaled EUR 846 million, with a rebalancing of the product mix in favour of “index-linked” and “unit-linked” policies;
- outflows from funds and Sicavs were mainly caused by redemptions of monetary funds, but good inflows in other areas led to an improvement of the overall asset mix;

- the portfolio management area doubled vis-à-vis last year, with funds and Sicavs taking the lion's share.

➢ **Lending products**

- In the consumer credit area, disbursements for personal loans totaled EUR 240 million (+58% yoy); EUR 63 million were disbursed for credit card loans (+32% yoy);

- The significant upward trend in mortgage loans recorded in 2005 continued, with disbursements totalling roughly EUR 1 billion (+4.8% yoy).

The commercial trends described above resulted in rolling average lending volumes of approx. EUR 21.3 billion for the Retail Banking area as of 31/03/06, with a strong growth (+23%) over 31/03/2005 and with medium- and long-term loans accounting for over 92% of the total. The increase in overall funding (+1.9%) was influenced by customers upgrading to the Private Banking area (without such a shift, growth would have been roughly 4% yoy). Marketing policies for this aggregate aimed at re-directing investments towards assets management (+7.3%) and direct funding (+7.5% yoy), and away from mere custody (-13.5% yoy).

Total income amounted to EUR 502 million, up 12% since last year. The Net Operating Income stood at EUR 171.5 million, with a 42.2% increase yoy, whereas the cost/income ratio for the area came to 60%.

RETAIL BANKING

(in million €)	31/03/06	% chg yoy
P&L DATA		
Interest income	250.4	14.4%
Net fees	215.9	5.7%
Other income	36.2	42.2%
Total income	**502.4**	**12.0%**
Net value adjustments to doubtful loans and financial assets	-29.7	18.0%
Operating charges	-301.2	-0.5%
Net operating income	**171.5**	**42.2%**
CAPITAL AGGREGATES		
Customer loans	21,672.7	22.0%
Customer deposits and securities issued	36,416.7	8.9%

Highlights on the operations and results of companies in this area include the following:

- The consolidated net profitability of the life insurance companies (**Monte Paschi Vita and Monte Paschi Life**) amounted to EUR 16.8 €, up considerably (+18%) over 31/03/05. In the non-life business, **Monte Paschi Assicurazioni Danni** achieved a net profit of EUR 2.4 million, slightly higher than in 2005.

- MP Asset Management SGR totaled a consolidated net profit of EUR 22.6 million (+84.2% yoy), driven by a positive market performance and by the above-mentioned change in the asset mix;

- Consum.it confirmed its upward trend and achieved an EUR 9.6 million net profit (+41% compared to 2005);

- MPS Banca Personale was positively influenced by the early effects of the Revamping Plan launched in 2005, with total funding up 18% yoy and net losses decreasing from EUR –8.7 million in March 2005 to EUR –1.8 million in March 2006.

B) PRIVATE BANKING

The **Private Banking product range was consolidated** during the first quarter of 2006.

The offering of **multi-brand products** was broadened again through an increase in directly placed Sicavs following a partnership agreeement with investment bank Morgan Stanley. A **new line of equity investment products** called **Gp Alpha Azionaria Europa** was launched in the portfolio management area. In the **non-financial advisory** area, the range of available solutions was further streamlined through a consolidation of the internal and external partnership system, especially in the real estate and art businesses.

The development of **relation-support and commercial monitoring tools** included:

- a gradual roll-out of the **Professional Global Advisor (PGA) system**, the main tool for supporting personal relationships with customers;
- the further implementation of the **M.A.P. (Monitoraggio Aggregati Private)** organic marketing analysis & support system in all levels of the Private Banking supply chain.

Concerning **communication,** a series of seminars on scenarios and outlooks for the financial industry in 2006 was started. Scheduled to involve 12 major Italian cities before year end, in the first quarter they were held in Verona, Rome and Milan, with roughly 450 existing and prospect customers in attendance.

☐ OPERATING RESULTS

Commercial flows in the Private Banking area were particularly good during the first quarter of 2006, with total asset management volumes up 73.4% over 31/03/05, to EUR 516 million. As far as service models are concerned, individual portfolio management accounted for 50% of total business.

As a consequence of the commercial trends mentioned above, total funding for the Private Banking area totaled approx. EUR 18,360 million (+13.5% yoy), driven by asset management (+23.2%).

Total revenues for this area amounted to EUR 35.4 million, with a considerable increase (+21.6%) over March 2005. The Net Operating Income was up 47.2% to EUR 18.8 million and cost/income ratio stood at 46.6%.

PRIVATE BANKING

(in million €	31/03/06	% chg yoy
P&L DATA		
Interest income	7.6	23.2%
Net fees	27.8	21.5%
Other income	0.1	-33.3%
Total income	**35.4**	**21.6%**
Net value adjustments to doubtful loans and financial assets	-0.1	-4.0%
Operating charges	-16.5	1.5%
Net operating income	**18.8**	**47.2%**
CAPITAL AGGREGATES		
Customer loans	398.6	24.7%
Customer deposits and securities issued	2,830.7	11.8%

C) CORPORATE BANKING

COMMERCIAL POLICY AND PRODUCT/SERVICE INNOVATION

During the first quarter 2006, R&D and commercial initiatives in the **Corporate Banking area** aimed at strenghtening the **role of the Group as a reference point in supporting the growth of domestic enterprises.**

Of particular relevance in this scenario was the **signing of a cooperation agreement between the MPS Group and the Italian Research Council (CNR)** designed to foster a transfer of knowledge from the scientific to the industrial world, which is crucial to increase the competitiveness of Italian companies in a global environment. Joint actions and initiatives will touch upon several areas , such as **the setting up of new organisations, the creation of joint ventures, a technology innovation upgrade for companies and a transfer of new production systems and processes to the corporate world.**

A program launched by the Group together with public and private institutions operating on a local level to enhance its **contribution to the economic growth of local areas** was the driving force behind **the success of "bond di sistema Toscana",** a special lending plan developed jointly with Fidi Toscana and Tuscany's regional administration to support the development of local SMEs. At the end of the quarter, the transactions authorised had basically absorbed all the funds available.

Several more initiatives were started in the area of **credit guarantee schemes**, whose role is becoming even more important after the reform of the Italian Confidi system and pending its future transformation into a risk-mitigating tool. Initiatives included:

- **Confindustria Plafond** - a scheme signed with Confindustria (the Italian manufacturers' association) in November 2005 and launched in early 2006 to support companies eager to invest in competitiveness and innovation;

- **Confidi project -** within the framework of a general streamlining effort following the consolidation process brought about by the Confidi system reform, the Group was involved in two projects sponsored by Confcommercio and Confesercenti and designed to set up new credit-guarantee associations;

- **strategic cooperation agrement with Confesercenti** - during the first quarter of the year, the agreement was advertised through meetings and exchanges of information in order to fine-tune its contents and to make long-term operations possible.

The **Corporate Banking product range** includes **subsidised loans.** Worth mentioning in this context were **initiatives related to the passing of the "new" Law 488** (a field in which Banca MPS per l'Impresa plays a leadership role nationwide), with special emphasis on a review of the "Agevolo" bridging finance package and, more generally, on the **development of structures that are going to play a considerably more important role in loan authorisation processes vis-à-vis the "old" Law 488**.

Concerning the **Third Sector Project**, whose **strategic importance is increasing**, a Web-based application was developed to simplify the management of business relationships with the "non-profit" system. The implementation of this IT tool is scheduled to take place in the second quarter of the year.

Among the products designed mainly for the **Small-Business segment**,the popularity of **conto impres@più** – a package current account that acts as an integrated system of banking and non-banking services available to companies – increased again considerably: approx. 68,000 new accounts were opened as of March 31st, **with an increase of roughly 6% over 31.12.2005 and 32% year on year.**

Other new products developed during the quarter included:

- **a new medium/long term loan type called "A Basilea"** – Designed for Small Businesses and SMEs that meet specific economic and capital requirements, this product will fund actions aimed at achieving a partial financial re-balancing, thereby improving their financial situation before the implementation of Basel II criteria;

- **a new integrated offering called "Welcome Energy**: Finanziamo il fotovoltaico (=let's finance photovoltaic energy)", specifically targeted to companies wishing to avail themselves of the new incentives made available by the Ministerial Decree of August 6th 2005;

- the **Energileasing project**, an ad-hoc instrumental lease designed to meet the requirements associated to the construction of large and small plants for the production of clean energy/energy from renewable sources.

In the Corporate Banking area, the MPS Group also **broadened its range of products supporting the internationalisation** of Italian companies through highly innovative, advisory-intensive financial services, as described in the section on international banking operations.

For information about the latest developments in **payment systems** for Corporate customers, *see the "Payment Systems " section.*

As part of the optimisation of loan disbursement procedures, pending a **full compliance with Basel II regulations,** a **working group** was set up at the end of the quarter **to fine-tune and harmonise Group lending policies for Retail customers.**

Concerning the re-engineering of lending processes, an electronic loan-processing system (PEF) for Small Businesses was released and is currently being tested by Banca Toscana; **this simplified assessment procedure enables the application of risk-measurement methods introduced by the latest Basel agreement** even to micro-businesses. During the second quarter of the year the simplified PEF will be rolled out in the other two commercial banks as well.

☐ CORPORATE FINANCE

The activity carried out by **MPS Banca per l'Impresa** on behalf of the Group in the Corporate Finance area resulted in several initiatives for the operating segments involved, based on state-of-the-art solutions that could complement the traditional range of lending products.

In the **project financing** area, two major transactions were completed:

- the construction of a 760 MW combined-cycle electric plant in Calabria, powered with natural gas;
- the requalification of an urban area (formerly Florence's tobacco-processing plant) through the construction of commercial, residential and office buldings.

The **advisory department** received from the Leghorn water-treatment association (ATO) a mandate for financial assistance services to be provided to the utility in charge of integrated water supply services for the area.

With respect to environmental management and social responsability, MPS Banca per l'Impresa was the first Italian bank to be awarded the **EMAS banner,** a well-known recognition granted to organisations that stand out for their **ongoing commitment in the environmental field**.

In the **private equity** field, designed to support the development of SMEs with a strong growth potential, **MPS Venture SGR** is currently managing seven closed-end funds reserved to high-profile investments, with total assets expected to amount to approx. EUR 400 million at the end of the placement period (first quarter of 2007). The latest funds (MPS Venture 2 and Emilia Venture), launched back in 2005, are already up and running, whereas MPS Venture Sud 2 has just completed its funding. Once again, this makes MPS Venture SGR **the Italian asset management company with the highest number of private equity funds**. During the quarter a **minority stake** was acquired **in Esaote Spa** and the **dismissal of the stake in Carapelli Firenze Spa** was defined, with significant capital gains for fund members. At the end of March 2006, **MPS Venture SGR** was managing 15 different equity shareholdings throughout Italy on behalf of its funds.

☐ SERVICE MODELS

The **roll-out of SME Centres in Banca Toscana** was started and is expected to be completed by October. 10 out of the 26 Centres planned became operational during the quarter and are now complementing the existing 81 Centres of Banca MPS and BAM.

Concerning the **Enti e PA project**, developed to enhance the role of the MPS Group as a reference point for local authorities and pubblic institutions, the implementation and fine-tuning of the Group's structures and integrated offering continued. In particular, an ad-hoc **research & marketing team** for local authorities and public institutions was set up to improve the understanding of emerging market needs and to make the integration between commercial bank network and product companies smoother and seamless.

In order to support service models and commercial supply chains for corporate customers, the monitoring of satisfaction levels and the integration of the IT tools developed by **CRM Corporate** continued, with the aim of getting a deeper knowledge of customers so as to better support commercial operations.

☐ OPERATING RESULTS

In the first quarter of 2006, in a market scenario characterised by aggressive competition in the lending business, the Corporate Banking area basically confirmed the trends first seen in 2005, with a strong expansion of medium/long term loans and a more subdued performance of short-term ones. The growth in **new mortgage loans** remained strong, with disbursements by commercial banks alone totaling close to EUR 1 billion (+25.8% yoyo). The good performance of **specialised credit** continued, with all lines of business recording a significant increase over the previous year (leasing +22%, factoring +24%, agricultural and industrial credit +13%).

As a consequence of the commercial trends mentioned above, **total loans** amounted to EUR 48,828 million, with rolling average balances up 4.6% and medium/long-term loans accounting for roughly 60% of the total (versus 58% last year). **Total funding** increased as well **(+0,4%)**, driven mainly by **direct funding**, whose rolling average balances grew by 6.7%.

CORPORATE BANKING

(in million €)	31/03/06	% chg yoy
P&L DATA		
Interest income	343.6	-2.4%
Net fees	103.9	5.6%
Other income	4.6	na
Total income	**452.0**	**0.1%**
Net value adjustments to doubtful loans and financial assets	-73.8	2.6%
Operating charges	-242.0	-1.3%
Net operating income	**136.2**	**1.3%**
CAPITAL AGGREGATES		
Customer loans	48,787.1	5.8%
Customer deposits and securities issued	19,691.6	10.1%

Income for the Corporate Banking area (EUR 452 million) remained basically unchanged vis-à-vis 31/03/2005 (+0.1%), due to the contrasting effects of a downturn in interest income (with a declining mark-up) and of an upturn in net fees. Net Operating Income stood at EUR 136.2 million, up 1.3%. The cost/income ratio was 53.5%.

Highlights of the operations and results of Corporate Banking Group companies include the following:

- MPS Banca per l'Impresa consolidated its leading position, with a net income of EUR 15.0 million (+7.1%);

- Mps Leasing & Factoring (which specialises in financial services to the corporate world) strenghtened its market position, with a net income of EUR 1.9 million (+11.7%).

D) INVESTMENT BANKING

A) PROPRIETARY FINANCE

During the first quarter of 2006, high-risk asset classes (credit, emerging countries) confirmed a very positive trend and equity markets went further up, with a 7.5% performance of the Eurostoxx 50 index. In the bond market, euro-denominated long-term rates grew by over 50 basis points. Euro/US$ exchange rates were particularly interesting, due to an expected drop in spreads. In this scenario, **proprietary finance operations** focused on leveraging emerging trends, with a basically long position on both the equity market and the credit market. This approach changed slightly towards the end of the quarter, **resulting in financial assets from trading of EUR 35.9 billion for the Banking Group.**

FINANCIAL ASSETS FROM TRADING (end-of-period data in million €)

	BANCA MPS 31/03/06	Abs. change over 31/12/05	%	MPS GROUP 31/03/06	Abs. change over 31/12/05	%
FINANCIAL ASSETS FROM TRADING	13,930	(2,066)	-12.9%	35,858	(1,615)	-4.3%

FINANCIAL LIABILITIES FROM TRADING (end-of-period data in million €)

	BANCA MPS 31/03/06	Abs. change over 31/12/05	%	MPS GROUP 31/03/06	Abs. change over 31/12/05	%
FINANCIAL LIABILITIES FROM TRADING	4,480	(736)	-14.1%	15,751	(1,355)	-7.9%

The portfolio of **financial assets available for sale** stood at EUR 5,013 million, down 11.8% from 31/12/2005 mainly due to the impact of FIAT and BNL stakes dismissals.

FINANCIAL ASSETS AVAILABLE FOR SALE (end-of-period data in million €)

	BANCA MPS 31/03/06	Abs. change over 31/12/05	%	MPS GROUP 31/03/06	Abs. change over 31/12/05	%
Financial assets available for sale	3,453	-594	-14.7%	5,013	-672	-11.8%

Financial assets held to maturity, represented by securities included in the portfolio of the Group insurance company (Montepaschi Vita) and for which a decision was formalised to hold them to maturity, remained basically stable throughout the quarter.

FINANCIAL ASSETS HELD TO MATURITY (end-of-period data in million €)

	BANCA MPS 31/03/06	Abs. change over 31/12/05	%	MPS GROUP 31/03/06	Abs. change over 31/12/05	%
Financial assets held to maturity	0	0	n.a.	4,302	199	4.9%

B) TREASURY

In the first quarter 2006 **Treasury operations** focused, among other things, on optimising financial flows and reducing average liquidity requirements through an increase in the average duration of funding products and some pruning to short-term segments, with a positive fall-out on overall operations. In the quarter new positions were opened on the Japanese yen and Swiss franc markets, in line with analysts' expectations about the economy of these two countries. Trading volumes increased, and both loans and funding went up. Consequently, as shown in the table below, **net consolidated amounts due by and to banks rose slightly, whereas the net borrowing position remained basically unchanged vis-à-vis the end of 2005, at roughly EUR -6 billion.**

INTERBANK BALANCES (end-of-period data in million €)

	BANCA MPS 31/03/06	Abs. change over 31/12/05	%	MPS GROUP 31/03/06	Abs. change over 31/12/05	%
Amounts due by banks	25,573	34	0.1%	11,098	1,104	11.0%
Amounts due to banks	20,092	-53	-0.3%	17,060	853	5.3%
Net borrowing position	5,481	87	1.6%	(5,962)	251	-4.0%

C) ASSET/LIABILITY MANAGEMENT

During the first quarter of 2006, **domestic bond-based funding** for the Parent Bank alone totaled EUR 824.2 million, resulting from 23 issues targeted to Retail, Corporate and Private customers. Whenever the Group's commercial policy guidelines permitted, those operations were fostered by the commercial banks and by the Structuring Solutions desk of MPS Finance.

Funding from the placement of highly innovative and differentiated **structured bonds** accounted for roughly **41%** of the total, amounting to EUR 341.3 million spread over 10 issues, whereas the placement of **plain vanilla cd bonds** accounted for approx. **59%** of the total, amounting to EUR 482.9 million spread over 13 issues. In general, operations were focused on **durations below six years**; more specifically, two-to-three year durations were by far the most popular ones among customers and accounted for 63% of total issues. Hedging on all structured bonds was provided through agreements with MPSF in order to neutralise interest rate risks. The placement of structured **Certificates of Deposit** during the quarter totaled approx. EUR 80.4 million (spread over 2 issues).

BMPS also arranged 4 private-placement issues underwritten by the Group insurance companies for the purpose of hedging their Index-Linked policies (marketed by MPS Group commercial networks); these issues totaled a nominal amount of roughly EUR 279.5 million.

On the **international market**, issues through pubblic offering or private placement included in the **Debt Issuance Programme** amounted to approx. EUR 1,369 million spread over 8 issues. Worth mentioning among them is a seven-year senior debt product that enabled BMPS to raise the benchmark amount of EUR (.....manca cifra, NdT) billion.

OPERATING RESULTS

The Investment Banking area contributed EUR 133.9 million to overall income, up 17.4% from the same period of last year. If costs are factored in, Net Operating Income stood at EUR 108.9 million (+22.6%) and cost/income ratio was 18.7%.

INVESTMENT BANKING

(in million €)	31/03/06	% chg yoy
P&L DATA		
Interest income	38.4	-0.7%
Net fees	22.1	65.1%
Other income	73.4	18.5%
Total income	**133.9**	**17.4%**
Net value adjustments to dobutful loans and financial assets	0.0	n.a.
Operating charges	-25.0	-0.9%
Net operating income	**108.9**	**22.6%**

Highlights of the operations and results of Investment Banking Group companies include the following:

- **MPS Finance** totaled a net income of EUR 21.5 million as of 31/03/06;

- **Intermonte** closed the quarter with a net income of EUR 9.9 million;

- **MPS Ireland** closed the quarter with a net income of EUR 4.2 million.

E) OTHER AREAS

E.1) TAX COLLECTION

During the first quarter 2006, income from the Tax Collection area increased roughly 10% vis-à-vis 31/3/05 and production efficiency improvements continued, despite a challenging environment resulting from the passing of Law Decree no. 203 at the end of 2005. That Decree, which concerns the reform of the tax-collection concession system, paved the way for an all-encompassing restructuring of the sector. As a consequence, all private companies currently acting as domestic tax collectors on behalf of the State will be required to hand back their concessions from 1.10.2006. In that scenario, when approving the 2005 financial accounts the Shareholders' Meeting also resolved to authorise the Board of Directors to dismiss the business unit in charge of tax collection for the areas of Rome, Latina, Grosseto, Leghorn and Siena.

E.2) INTERNATIONAL BANKING

See the "Secondary segment reporting" section later in this document.

E.3) LARGE CORPORATE AREA

As mentioned before, the centralisation of business from the **Large Corporate and Financial Institutions area** into a single desk within the Corporate Center was further implemented. Concerning operating results, cash loans totaled EUR 3.6 billion (-9.4% compared to the same period of 2005) and total funding stood at approx. EUR 18.2 billion, with direct funding up 29.1%. Total income amounted to EUR 16.6 million, down 7.5% from the first quarter of 2005, when however major arrangement activities took place.

F) CORPORATE CENTER

For segment reporting purposes, business areas allocated to the Corporate Center include (but not limited to) the loan-collection company MPS Gestione Crediti Banca and the Group equity investments area, whose operating contributions in the first quarter of 2006 are described below.

GROUP EQUITY INVESTMENTS

In the first quarter of 2006 the Equity Investments area continued to focus on the disposal of some minority shareholdings and strategic stakes (Fiat and Bnl), with sales totaling EUR 88 million. Total dividends from equity investments in non-Group companies and minority interests amunted to EUR 0.08 million. Moreover, in the first quarter of 2006 several minor stakes previously held by Banca Toscana and MPS Banca per l'Impresa were re-allocated to the Parent Bank.

Highlights of changes[3] to Group equity investments in Q1 2006 include:

- **Acquisition of new stakes and participation in capital increases**

- Valorizzazioni Immobiliari SpA: the result of a spin-off from MPS Immobiliare Spa completed early last February, this company is fully owned and has a book value of EUR 100 million;

[3]Unless otherwise stated, changes in equity investments refer to the Group Parent Bank, Banca Monte dei Paschi di Siena.

- MPS Banca per l'Impresa SpA: Banca Monte dei Paschi di Siena underwrote a share capital increase in the amount of EUR 41.8 million (with additional EUR 8.5 million being contributed by Banca Toscana);

- Monte Paschi Vita SpA: the underwriting of a share capital increase resulted in a further investment of EUR 54.9 million (with Banca Toscana contributing an additional EUR 5.1 million);

- MPS Professional SpA: the company's share capital was restored following losses posted as of November 30th 2005;

- Microcredito di Solidarietà SpA: this new company was incorporated last January, with an investment of EUR 0.4 million and a 40% stake;

- SI Holding SpA: the stake in Carta SI SpA's controlling company was increased from 5.915% to 9.977%, (book value: EUR 14.953 million);

- Fidi Toscana Spa: the underwriting of a share capital increase resulted in an investment of approx. EUR 1 million (with additional EUR 0.8 and 0.4 million being contributed by Banca Toscana and by MPS Banca per l'Impresa, respectively);

- Agrisviluppo SpA: Banca Agricola Mantovana underwrote a share capital increase that resulted in a further investment of EUR 5.7 million. As a consequence, its stake in the company grew from 97.802% to 98.224%.

- **Dismissals and sales**

- FIAT Spa: 0.566% of the equity capital of the Turin-based company was sold to the market, with an additional 0.405% being dismissed by Banca Toscana. Shares were sold at EUR 8.245 each, versus a book share price of EUR 7.333;

- MTS SpA: a 2.45% stake in this company was sold to S.Paolo IMI and to the Royal Bank of Scotland at a total price of EUR 6 million;

- Banca Nazionale del Lavoro: a 4.345% stake was sold to Deutsche Bank at a price per share of EUR 2.6726, versus a book share price of EUR 2.2623;

- Kerself SpA: MPS Banca per l'Impresa contributed to the listing of this company on the Italian Stock Exchange through a partial sale of its shares during the IPO. Consequently, its stake in the company decreased from 20.034% to 6.51%.

- PRO.MO.MAR. Spa: MPS Banca per l'Impresa sold its 10.9% stake in this company.

2) SECONDARY SEGMENT REPORTING

As a basis for its secondary segment reporting, the MPS Group adopted a segmentation of operating results by geographical areas. It should be pointed out, however, that Group operations focus almost entirely on the domestic market, with special emphasis on the central areas of the country. As a consequence, Italy accounts for approx. 97% of net operating income.

International banking is mainly designed to **support the operations of domestic customers**. Special emphasis is placed on the **development and follow-up of internationalisation projects**, especially by SMEs, in an attempt to support their commercial penetration into new markets (both emerging and developing countries) and to assist them in their investments abroad.

During the first quarter of 2006 the "service model for assistance to SMEs" was further implemented through the following key initiatives:

- development of an **"integrated multi-channel system" called PINTER,** to be used as a telematic support tool for the selling of products and the supplying of services to customers;

- organisation of a closing event for the **presentation to the market of the InternationalPartner service model**, at the end of an intensive advertising campaign during which meetings with entrepreneurs, professionals and associations were held at the premises of 34 main branches of the three network banks.

As part of a **program for the development of products and services for immigrants**, agreements with foreign banks on the marketing of the **"Paschi senza frontiere" product** were actively pursued, with the first one being signed in Albania and negotiations currently under way in Senegal and Morocco.

Recent developments of MPS Group direct operations abroad include:

- the beginning of the organisational phase (conversion of the current Representative Office) for the **opening of a new branch in Shanghai,** expected to take place late during the second half of the year;

- the official opening of **Representative Offices** in **Casablanca** (Morocco), **Guanzhou** (Canton, China), and **Mumbai** (India), on April 7th;

- the opening of a Representative Office in **Bratislava** (Slovak Republic) as part of a commercial agreement with CSOB (Ceskoslewenska Obchodni Banka), a subsidiary of the Belgian banking group KBC. The agreement also extends to an office in **Prague** (Czech Republic), to be opened soon.

□ OPERATING RESULTS

Trading volumes for the International Banking area, including foreign operations of domestic banks and foreign subsidiary banks, resulted in a basic stability of total funding, (a significant increase in total funding) una sostanziale stabilità della raccolta complessiva, significativo progresso in termini di raccolta complessiva (errore nel testo, NdT), with average loan portfolio balances increasing by almost 10%.

With reference to P&L results, total income amounted to EUR 23.6 million, down 2.7% from March 2005 after the closing of the Madrid and Singapore branches in the second half of 2005. Net operating income stood at EUR 2.9 million (-70% yoy), with cost/income ratio at 90%.

SECONDARY SEGMENT REPORTING SCHEME

(in million €)

31/03/06	Italy	Other countries	Reclassified Group total
P&L DATA			
Total income	**1,300.3**	**23.6**	**1,323.9**
Net value adjustments to doubtful loans and financial assets	-109.9	0.5	-109.4
Operating charges	-729.8	-21.2	-751.0
Net operating income	**460.6**	**2.9**	**463.5**
CAPITAL AGGREGATES			
Performing customer loans	79,785.7	1,741.8	81,528
Customer deposits and securities issued	78,749.0	6,745.8	85,495
PROFITABILITY RATIOS			
Cost Income ratio	56.1%	90.0%	56.7%

With respect to foreign banks, Monte Paschi Banque contributed a net income of EUR 3.9 million (+EUR 1.6 million), with Monte Paschi Belgio stable over last year at a net income of EUR 0.7 million.

INTEGRATED RISK AND CAPITAL MANAGEMENT

ECONOMIC CAPITAL REQUIREMENTS

The amount of capital required by the MPS Group to cover its risk exposure at any given time is analysed by means of proprietary models developed by the Corporate Center Risk Management Unit.

The resulting risk measurements are standardised both in terms of time frame (1-year holding time) and of confidence interval (99.93%, in line with the rating level assigned to the MPS Group by official rating companies). After being diversified by risk category and by individual risks, they are aggregated and allocated to business units and legal entities according to their "marginal" contribution to the overall risk profile.

While being a crucial tool for the quantitative monitoring of risks over time, these operating measurements can serve different analytical purposes. First, they allow an "active" management of the risks being analysed – especially credit risks – through risk/return optimisation techniques that can be applied to different customer segments, legal entities and types of exposure. Secondly, risk measurements can be applied to several internal MPS Group management processes, such as central and local lending, equity investments, budgeting and capital allocation, capital management, risk-adjusted Group performance (as part of value-based management processes), and accounting procedures, especially pending compliance with the new IAS standards. All these capital analyses are summarised on a regular basis to provide information to the senior management, resulting in reports to the Corporate Center Risk Management Committee and to the Board of Directors.

As of March 31st 2006, credit risk accounted for 58.2% of the economic capital of the MPS Group, followed by equity risk (15.2%) and by business, operating and insurance risks (17.8%, down 0.9% since December 2005). Financial risks (including trading portfolio market risk, ALM banking-book risk and financial risks for Monte dei Paschi Vita) accounted for 8.8% of total economic capital (down 0.7%).

CREDIT RISK

At the end of March 2006, risk exposure for the MPS Groups – calculated with the Group loan portfolio model developed by the Risk Management Unit – had grown by approx. 7.5% since December 2005 and was broken down as follows: Banca MPS 62.7% (up 11.3% last March compared to December 2005), Banca Toscana 12.6%, Banca Agricola Mantovana 10.5% (up 4% since December 2005). The exposures of Mps L&F and Banca per l'Impresa remained basically unchanged.

A breakdown by customer segment shows an increased risk exposures to consumer credit (+ 4%) and a basically stable risk exposure to manufacturing companies, governments and public administrations.

The MPS Group loan portfolio was mainly exposed to domestic customers: 29.0% of risk loans were granted in Northern Italy, 22.5% in Tuscany and Umbria, 15.6% in Central Italy and Sardinia, 13% in Southern Italy and

Sicily. Loans to foreign customers increased by 5.9% during the quarter, from 14% in December 2005 to 19.9% in March 2006; the change mainly concerned short-term loans in foreign currency to other banks.

Expected losses and economic capital requirements for the MPS Group as a whole remained stable over the quarter, whereas the related quarterly risk ratios – expected losses/exposure at risk and economic capital/exposure at risk – **showed a downward trend.** This change can be partially ascribed to a general improvement in credit quality and, more significantly, to an increase in the overall amount of loans disbursed to low-risk customers.

With respect to individual Group legal entities, Banca MPS absorbed 56.3% of the Group total economic capital requirements (+2.9% since December 2005), followed by Banca Toscana (18.6%, down 7%) and Banca Impresa (12%).

GROUP MARKET RISK

INTEREST RATE RISK ON THE GROUP BANKING BOOK

According to international best practices, a Banking Book identifies all commercial transactions carried out by a bank in relation to the transformation of maturities with respects to balance sheet assets and liabilities, Treasury, foreign branches and hedging derivatives.

The Banking Book operating and strategic choices adopted by the Finance and Capital Management Committee and monitored by the Corporate Center Risk Management Unit are based on a “total return” approach to interest rate risk measurement, and aim at minimising the volatility of the interest income expected for a financial year (12 months), i.e. the volatility of the total economic value as interest rates change.

Changes in the economic value of Banking Book assets and liabilities are calculated by applying, for operating purposes, deterministic interest-rate shifts of 25 bp and 200 bp to both consolidated Tier 1 and regulatory capital, according to the provisions of the second pillar of the Basel II Agreement.

As of March 31st 2006 the risk profile of the MPS Group was fairly "liability sensitive", i.e. liable to incur potential economic value losses in the case of a reduction in interest rates. The sensitivity measurement was slightly higher than at the end of December 2005, with the ratio between value at risk (measured in the case of a 200 bp rate shock) and Tier-1/regulatory capital rising from 0.2% at the end of 2005 to 0.6 % at the end of March 2006. However, this percentage was still much lower than the one recorded at the end of September 2005 (2.4%).

Compared to last December, interest income at risk increased during the quarter. This was due to a cyclical repricing of floating-rate assets (mainly mortgage loans), whose interest income at risk is higher in March and September than in June and December – with all other conditions remaining unchanged – due to a longer residual life over the 1-year time frame considered. In September and March 2005, income at risk/final income ratios were similar to those calculated for the current quarter (2.7 % in September and 3.7 % in March 2005). However, these values do not take into account the elasticity of on-demand entries, which impacts mainly liabilities and therefore has a beneficial influence on interest income in the case of an interest rate increase.

The overall Group situation is reflected by the Parent Bank, Banca MPS, which absorbs the bulk of the operating choices made by the Risk Management Committee and whose economic-value-at-risk/Tier-1 and-regulatory-capital ratio, calculated for a 200 bp parallel shift, rose slightly compared to the end of December 2005. This increased impact on interest income was due to a cyclical repricing of floating-rate mortgage loans, as discussed above.

LIQUIDITY RISK

Monitoring of total structural liquidity profiles is based on a quantification of the imbalances, by settlement date, of expiring cash flows over the first few months of the projection horizon.

Special attention was devoted to the planning of funding policies for the Group, coordinated and steered by the Corporate Center Finance Area, concerning both regular bond-based funding and issues of subordinated debt, as well as the amount of money to be borrowed from other banks, in line with capital management requirements and with the expected evolution of the maturities transformation index monitored by the Bank of Italy.

o MARKET RISK ON THE GROUP TRADING PORTFOLIO

For operating purposes, market risks are monitored as *Value at Risk* (VaR) both for the Parent Bank and for other Group legal entities that act as independent risk-taking centers. Operating limits to trading activities, set by Boards of Directors individually, are expressed for each level of authority as risk-factor diversified VaR and non-diversified VaR. Monthly and annual Maximum Acceptable Losses (MAL) are also set for the same levels of authority, taking into account both potential and actual economic results (P&L) and risk measurements on open positions (VaR).

Operating VaR is calculated by the Corporate Center Risk Management Unit - independently from Group operating functions – using the Group Integrated Risk Management Model developed by the Unit itself, based on a confidence interval of 99% and a holding period of one business day. The historical simulation method used requires 500 measurements over a time frame of approx. two business years, with daily scrollings. The VaR so calculated allows to consider all the implications of a diversification among risk factors, portfolios and intrument types.

Moreover, shift sensitivity analyses are carried out on a regular basis (usually by applying 1bp- and 25bp-shifts) on interest-rate sensitive positions, based on ad-hoc assumptions on the volatility of different risk factors in relation to price risk (equities and forex).

During the first quarter of 2006, overall Group risk exposure trends were still considerably influenced by VaR dynamics in the Finance Area of Banca MPS.

Banca MPS constantly accounted for the overwhelming majority of Group market risks (roughly 77% on average in the first quarter), followed by MPS Finance BM, though with a much lower impact (approx. 11% on average), and by other Group banks (total average for the quarter: 12%), including basically MP Ireland Ltd and the VaR of two service portfolios for Banca Agricola Mantovana and Banca Toscana customers. End-of-period data as of March 31st showed a similar breakdown, with BMPS accounting for 72%, MPSF for 17% and other entities (mainly MP Ireland) for 11%.

At 31.03.2006, the Group VaR – calculated without taking into account the implication of a diversification among risk-taking centers - amounted to EUR 13.33 million, down over EUR 2 million since 31.12.2005 (EUR 15.63 million).

During Q1 2006 the Group VaR stood at an average value of EUR 12.62 million, down approx. EUR 3.5 million compared to the 2005 average (EUR 16.13 million).

The 99%, 1-day VaR for the Parent Bank, diversified by risk factors and portfolios, decreased slightly during the first quarter of the year., Average VaR for the Jan-Mar 2006 period stood at EUR 9.72 million.

This trend results from a conservative allocation policy associated to a rebalancing of risk factors, which allowed to make the most out of the diversification among risk factors and to contain overall VaR. A breakdown by risk factors at the end of the quarter showed that equity-related risks (EQ VaR) accounted for roughly 47% of the Parent Bank portfolio, whereas 38% was absorbed by interest-rate risks (IR VaR) and 15% by foreign exchange risks (FX VaR).

INSURANCE RISK

Market risks for the insurance company, related to the ownership of a financial assets portfolio whose value is dependent on market conditions (interest rates and share prices) and to the ensuing need to guarantee a certain financial performance to holders of Type-I and Type-V policies (minimum annual return, partial or total redemption with guaranteed principal and return), are monitored using an integrated assets/liabilities risk measurement model developed jointly by the Corporate Center Risk Management Unit and by the Company itself.

This model, based on a duplicated representation of the asset portfolio plus all policy-related options, showed a decreased mismatching risk during the first quarter of 2006 compared to average 2005 values, thanks to ad-hoc portfolio measures taken at the end of last year in order to reduce overall risk levels.

Risk measurements, calculated on a monthly basis (99%, 1-day and 1-month VaR, duration and sensitivity to interest rates) based on Mark-to-Market assumptions for both assets and liabilities so as to quantify maximum risk levels in the case of perfectly sensible customer behaviours (arbitraged redemptions and total flexibility), outlined a risk profile that was always consistent with the Company's equity capital.

The results of insurance risk monitoring are regularly brought before the Corporate Center Risk Management Committee and contribute to the determination of Value-Based Management and Capital Allocation processes for the insurance business of the MPS Group, in full compliance with the provisions on financial conglomerates issued by the Basel Committee and recently implemented by the Bank of Italy.

OPERATING RISKS

To manage operating risks, the MPS Group has implemented an integrated system based on a governance model that involves all Group members operating in the sector considered. This approach defines standards, methodologies and tools for assessing risk exposure and the impact of mitigation in each business area.

The scope of this advanced management approach (AMA) encompasses all Group domestic banking and financial entities.

Despite the extensive resources, training and systems it requires, the adoption of an advanced model can nevertheless guarantee maximum awareness of operating risk events as well as a consistent Group approach, since it guides all actions aimed at managing and mitigating such events.

During the first quarter of the year the statistical models used to calculate capital requirements were consolidated, with special emphasis on a qualitative analysis of risk profiles (scenarios). A qualitative analysis of the exposure to operating risks resulted in a proactive involvement of the management and in the identification of actions to be used as a basis for subsequent mitigation plans.

As part of the methodological framework developed, the Parent Bank and other Group members involved share the same management and risk-control model. The organisational scheme calls for an involvement of corporate functions in the identification, measurement, monitoring and risk management/control steps. An ad-hoc organisational structure within the Parent Bank coordinates all activities and is in charge of implementing the advanced approach.

REGULATORY CAPITAL AND PRUDENTIAL REQUIREMENTS

Estimates of[4] consolidated capital ratios resulted in a solvency ratio of 9.20% (versus 9.16% at the end of last year), with Tier-1 ratio amounting to 6.73% (compared to 6.51% at the end of December 2005).

[4] Consolidated capital ratios are only calculated on a half-year basis. Therefore, values were estimated according to the current regulations of the Supervisory Authority.

OPERATING STRUCTURE AND OTHER INFORMATION

OPERATING STRUCTURE

The section on operations by business areas described the **"research & development initiatives"** implemented during the first quarter of 2006. This section describes the Group operating structure, with special emphasis on **distribution channels, payment systems** and **human resources.**

DISTRIBUTION CHANNELS

During the first quarter of 2006 the Group continued its activity geared toward developing and streamlining its distribution channels.

To that purpose, 10 new branches were opened as part of the implementation of the **"2004/2006 Group Plan of Branch Opening"**, which aims at making the presence of the Group increasingly more consistent with potential developments in local areas. The completion of the Plan, scheduled for the end of 2006, will raise the number of Group branches to approx. 1,940.

In March 2006, the Group's commercial banks were operating a total of **1,872 domestic branches,** plus 131 financial advisors' offices run by MPS Banca Personale, which were further streamlined.

■ **DISTRIBUTION NETWORK OF THE MPS GROUP**

Channel	31.03.06	31.12.05
Domestic branches*	1,872	1,862
Financial advisors' offices	131	139
Total domestic points of sale	2,003	2,001
Foreign branches	32	30
ATMs	2,177	2,179

** Specialised branches rum by MPS Banca per l'Impresa not included*

With reference to **telematic channels,** the number of contracts closed with both corporate and retail customers confirmed an upward trend:

- **Internet corporate banking contracts** (UNI/EN/ISO 9001/2000-certified for Banca MPS) totaled 122,500 at 31.03.2006, with a 4.5% increase over December 2005;
- **Internet banking contracts** with retail customers amounted to 491,000, up 2.4% since December 2005;
- **Internet corporate banking contracts for Local Authorities and Public Administrations** stood at 1,022, rising by 3.5% vis-à-vis 31.12.05.

Moreover, in compliance with Business Plan guidelines, during the first quarter of 2006 **the call center operations of the Group's commercial banks were centralised into one structure**.

PAYMENT SYSTEMS

Highlights for the quarter include:

- **for retail customers**, the completion of operating tests for the **Bankpass Bills** service, **which enables customers to receive dematerialised utility payment notices**, and to pay them via Internet banking;

- **for corporate customers**, the marketing of the "incassipiù" service, designed for organisations (especially utilities) and local authorities requiring end-to-end collection management. Use of this innovative product **grew significantly**, with 631,000 documents issued during the quarter (up 84% over the same period of 2005), and an increased popularity **among small- and medium-sized customers** as well;

- **for Public Administration customers**, the development of a management program for collection and payment orders. Almost 600,000 orders were processed In the first three months of the year, totaling EUR 8.9 billion. Approx. 7,300 of them (worth roughly EUR 3.5 billion) were originated in Tuscany and in the Reggio Calabria Hospital Network (the latter starting operations last February) through an **innovative procedure based on the use of digital signatures, with a consequent dematerialisation of documents**.

The total number of payment cards (credit and debit cards) **for the MPS Group** came to approx. 2,042,000 as of 31/03/2006, with a 2% increase since the end of 2005.

Concerning the evolution of individual card types, **pre-paid and revolving cards issued by Consum.it became increasingly successful** and were up 25.5% and 5.5% respectively since the end of 2005.

Highlights for the quarter also include a **significant expansion of POS operations**: during the first three months of the year, POS-based payments numbered roughly 16.5 million (+11% over the same period of 2005), amounting to approx. EUR 1.13 billion (+11%). Moreover, **the migration of POS terminals to microchip-based operations** according to the EMV standard was also started during the quarter.

HUMAN RESOURCES

During the first quarter of 2006 the operating management of human resources complied with budget guidelines, thus:

➢ leveraging of Group human resource assets through more intensive actions aimed at strenghtening professional and managerial skills – increasingly a differentiating competitive factor – while constantly combining emerging requirements with internal career paths, training activities and reward-based systems;

- ➢ reducing overall staff levels through further "mix" and allocation changes aimed at redirecting resources towards the core business of individual Group members, especially commercial companies (network and product factories);

- ➢ containing costs through cost-cutting measures on structural levels and a close monitoring of all other expenses, in line with current operating requirements and expansion/income growth targets.

☐ HEADCOUNT

As of 31/03/2006, the MPS Group had a total of 26,769 employees,[5] down 21 units vis-à-vis the same period of 2005.

MPS GROUP HEADCOUNT

	31/12/02	31/03/05	31/12/05	31/03/06
Total headcount	**27,732**	**26,787**	**26,542**	**26,769**
Total incl.employees of the tax collection bus.	***28,039***	***26,790***	***26,542***	***26,769***

In line with the programs developed, during the first months of the year the network headcount was strenghtened by approx. 190 units as part of the implementation of the geographical expansion plan. At the same time an early-retirement incentive plan ws launched and accepted by approx. 265 employees, mostly from the head office. If the soon-to-take-place related exits are taken into account, total headcount dropped by roughly 1,535 units vis-à-vis 31/12/2002 (the Business Plan baseline). Consequently, headcount reductions achieved through the Solidarity Fund and incentive-based early retirements amount to approx. 2,180 employees.

The following tables show a breakdown of the MPS Group actual workforce[6] (26,702 employees) by job category and operating area:

BREAKDOWN OF STAFF BY JOB CATEGORY

Category/Level	Total	% of total
Management	617	2.3%
Middle management	7.147	26.8%
Professional ares	18,938	70.9%
TOTAL	**26,702**	**100%**

[5] Data relates to employees on the payroll of Group companies consolidated on a line-by-line basis, according to new IAS accounting standards.

[6] Data relates to the employees of all Group members, excluding staff assigned to other companies (minority interests) and cleaning personnel.

MPS GROUP AS OF 31.03.06

	Actual workforce	% of total
Banca Monte dei Paschi di Siena	**12,531**	**46.9%**
Corporate Center	1,366	**5.1%**
BMPS Division	11,016	**41.3%**
International operations(*)	149	**0.6%**
Banca Toscana	**3,851**	**14.4%**
Banca Agricola Mantovana	**3,071**	**11.5%**
MPS Banca Personale	**169**	**0.6%**
TOTAL ITALIAN BANKS	**19,622**	**73.5%**
Foreign banks	**441**	**1.7%**
Product companies	**1,620**	**6.1%**
Service companies- of which	**2,584**	**9.7%**
Operating Consortium	2,283	**8.5%**
Tax collection business	**2,139**	**8.0%**
Insurance business	**170**	**0.6%**
Other companies	**126**	**0.5%**
GROUP TOTAL	**26,702**	**100.0%**

(*) Foreign branches and Representative Offices

The following breakdown shows the high number of human resources allocated to the commercial network:

WORKFORCE BY GEOGRAPHICAL DISTRIBUTION

		Actual workforce	%	Actual workforce	%
		31/12/02		31/03/06	
CORPORATE CENTER	HEAD OFFICE UNITS	968	8.5%	1,214	11.0%
	CALL CENTER	-	0.0%	152	1.4%
	TOTAL	**968**	**8%**	**1,366**	**100%**
MPS DIVISION	HEAD OFFICE UNITS	649	5.7%	534	4.8%
	NTW.	10,597	92.7%	10,482	95.2%
	CALL CENTER	187	1.6%	-	0.0%
	TOTAL	**11,433**	**100%**	**11,016**	**100%**
BANCA TOSCANA	HEAD OFFICE UNITS	471	11.8%	441	11.5%
	NTW.	3,449	86.6%	3,410	88.5%
	CALL CENTER	61	1.5%	-	0.0%
	TOTAL	**3,981**	**100%**	**3,851**	**100%**
BAM	HEAD OFFICE UNITS	510	16.1%	574	18.7%
	NTW.	2,635	83.3%	2,497	81.3%
	CALL CENTER	18	0.6%	-	0.0%
	TOTAL	**3,163**	**100%**	**3,071**	**100%**
TOTAL COMMERCIAL BANKS	HEAD OFFICE UNITS	2,598	13.3%	2,763	14.3%
	NTW.	16,681	85.3%	16,389	84.9%
	CALL CENTER	266	1.4%	152	0.8%
	GRAND TOTAL	**19,545**	**100%**	**19,304**	**100%**

The breakdown of the Parent Bank actual workforce by job category/level is as follows:

	Category/Level	Total	% of total
CORPORATE CENTER	Senior management	152	11.9%
	Middle management	575	42.1%
	Professional areas	639	46.8%
	TOTAL	**1,366**	**100%**
BMPS DIVISION	Senior management	138	1.3%
	Middle management	2,664	24.2%
	Professional areas	8,214	74.6%
	TOTAL	**11,016**	**100%**
INTERNATIONAL OPERATIONS (*)	Senior management	4	2.7%
	Middle management	51	34.2%
	Professional areas	94	63.1%
	TOTAL	**149**	**100%**
TOTAL BANCA MPS S.p.A.	Senior management	294	2.3%
	Middle management	3,290	26.3%
	Professional areas	8,947	71.4%
	GRAND TOTAL	**12,531**	**100%**

(*) Foreign branches and Representative Offices

A breakdown of the workforce by education level shows a significant percentage of employees with a university degree, especially senior managers:

BREAKDOWN OF BMPS EMPLOYEES BY EDUCATION LEVEL

CATEGORY/LEVEL	% graduates Category/Level	% other diplomas Category/Level
Senior managers	46.0%	54.0%
Middle managers - 1st and 2nd level	34.5%	65.5%
Middle managers - 3rd and 4th level	22.1%	77.9%
Professional areas	28.1%	71.9%
TOTAL	**28.7%**	**71.3%**

as well as the average young age of the workforce (approx. 40% of employees are below 40), a relatively low seniority and a significant number of women (39.7%):

BREAKDOWN OF BMPS STAFF BY AGE GROUPS

AGE	% female employees	% male employees	% of total
up to 30 years	5.4%	5.0%	10.4%
from 31 to 40 years	15.5%	12.9%	28.4%
from 41 to 50 years	14.4%	20.2%	34.6%
over 50 years	4.4%	22.2%	26.6%
TOTAL	**39.7%**	**60.3%**	**100%**

BREAKDOWN OF BMPS STAFF BY SENIORITY GROUPS

SENIORITY	% female employees	% male employees	% of total
up to 10 years	14.9%	19.0%	33.9%
from 11 to 20 years	14.6%	15.6%	30.2%
from 21 to 30 years	8.1%	12.1%	20.1%
over 30 years	2.1%	13.6%	15.7%
TOTAL	**39.7%**	**60.3%**	**100%**

☐ OPERATING GUIDELINES

Within the strategic framework discussed above, **human resource management highlights for Q1 include:**

- **an agreement for the renewal of Banca MPS labour contract,** which provides a satisfactory balance between the crucial need to contain structural costs in an attempt to bridge the gap with best-of-breed competitors and a more flexible approach to human resource management, with special emphasis on the increased need for a professional relocation of employees. From an economic viewpoint, the agreement will allow to limit increases in personnel costs while at the same time re-directing the qualitative mix of employees in a way that is more consistent with strategic guidelines. To that purpose:

➢ "automatic", seniority-based salary increases were avoided;

➢ in order to make the new contract applicable to the company, apprenticeship status was regulated in a way that will result in significant cost reductions for new hirings;

➢ compensation adjustments were mainly based on productivity-related factors (bonuses), with a resulting closer correlation with the evolution of performance indicators, so as to guarantee a greater cost variability year over year as a function of income trends;

➢ a significant portion of cost increases will be invested in support to the younger generations, professional relocation (basically as a function of career path developments) and private pension schemes.

On the regulatory front, the most significant portion of the new labour contract is represented by an agreement on the practical implementation of an organic *professional career path* system which might provide the company with some powerful operating leverage. In an increasingly diversified and highly specialised organisational situation, professional growth planning is a key requirement for an efficient coverage of jobs in a scenario characterised by professional and geographical relocation, and for the fulfilment of individual aspirations over a time frame that is now significantly shorter than it used to.

A crucial innovation was the extension of customer-serving hours (Saturday opening of bank branches, non-stop opening on workdays, longer hours for consultancy services to customers), in line with emerging trends. The negotiations currently under way for labour contract renewals in other Group companies are consistent with these guidelines;

- **operating development of** *PaschiRisorse*, a skill-based management model which focuses on the expertise, capabilities and accountabilities required to cover each position, and whose implementation is crucial for leveraging professional skills and individual potential. This goal will be partially achieved through the development of structured professional career paths with increasing diversification/ customisation levels, in compliance with C.I.A. guidelines and in line with organisational flowchart dynamics and with an organic analysis of individual employee aspirations. In particular, during Q1 2006 an in-depth analysis of the results achieved at the end of Phase 1 was carried out, with special focus on filling core-competence positions (for the Head Office) and on covering "critical" Network jobs (Parent Bank and branches) such as Branch Manager, Manager in Charge of Loans & Overdrafts, Lab Staff, Line Manager, SME Manager, etc. This analysis provided important indications for the planning of training courses to be held during the 2006 financial year;

- **implementation of a "***management quality mapping***" project** involving all Group structures, to be regarded as a key driver for the achievement of strategic objectives and which will lead to the identification of a structured managerial behaviour system. Such a system will also broaden the range of management process support tools, with special emphasis on the selection of suitable candidates for the future filling of key positions ("succession planning") and on management-strenghtening programs (career paths, training);

- *training* focused on skill enhancement and specialisation, with contents and tools constantly aiming at growing core competences by means af actions increasingly targeted to individual resources, based on the need - revealed by the "gap analysis" –to fill certain positions and on other information available (previous experience, expectations, potential). Training activities continued in their effort to support organisational and commercial changes, focusing especially on new Network positions and providing highly differentiated technical and professional contents.

During the first quarter of 2006 training involved 18,830 employees, with approx. 202,100 hours of classroom time and on-line courses. The main focus (over 70% of all initiatives) was on enhancing commercial and lending activities.

Highlights

➢ Basic Training Courses for 2006 were started. Held by specially trained in-house tutors, this initiative focuses on 4 theme areas (Finance, Lending, Foreign Operations, Human Resorces), and features different contents levels, so as to foster the development of basic and in-depth knowledge;

➢ On-line training (e-learning) was expanded, as part of the initiatives aimed at supporting the commercial side of the business. Worth mentioning are the new specialisation courses on the Carattere platform and on insurance products;

- Among the measurements to be used for planning the *incentive-based system*, **priority was given** to the following performance indicators:

➢ revenue growth (basic income) in the "financial performance" area (short-term view);

- high-quality relationships with customers (with an eye on customer loyalty and relationship leverage) in the “marketing” area;

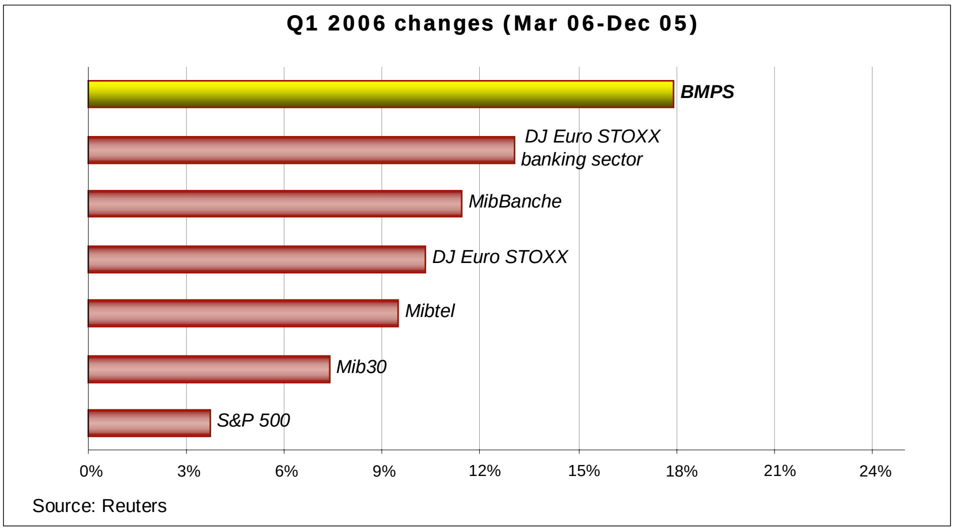
- completion of projects identified by the 2003-2006 Business Plan in the “organisational/project-based development” area (medium- and long-term view).

OTHER INFORMATION

BMPS STOCK PERFORMANCE, DEBT RATINGS AND INVESTOR RELATIONS

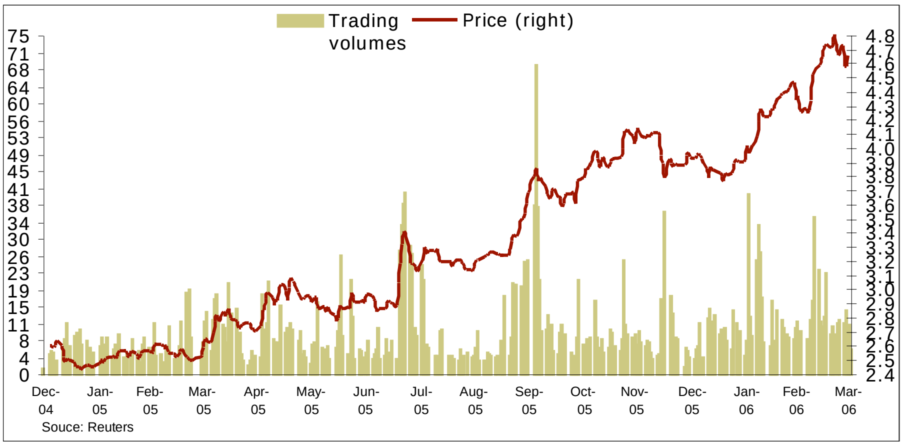
- STOCK PRICE

The first three months of the year turned out positive for the main share indexes (DJ Euro Stoxx +10.3%, S&P 500 +3.7%, Mibtel +9.5% and Mib30 +7.4%), with MibBanche up an outstanding +11.4%.



On March 31st 2006, BMPS stock was priced at EUR 4.65 per share (+17.9% compared to the beginning of the year), with a quarterly high of EUR 4.84 on March 23rd and a quarterly low of EUR 3.72 on January 18th. Consequently, BMPS stock outperformed the market and the banking sector again in the first theree months of this year, after a 50.3% stock price increase in 2005.

- **STOCK PERFORMANCE** (from 31/12/04 to 31/03/06)



■ **STOCK PRICE - SUMMARY** (from 01/01/06 to 31/03/06)

Average	4.24
Low	3.72
High	4.84

■ CAPITALISATION AND SHAREHOLDER BASE

At the end of the month the market value of BMPS, computed on the basis of 3,014,431,630 ordinary and preferred shares outstanding, amounted to roughly EUR 14 billion.

■ **REFERENCE PRICE AND CAPITALISATION - SUMMARY**

	31.12.05	31.03.06
Price (€)	3.95	4.65
No. ordinary shares	2,448,491,901	2,448,491,901
No. preferred shares	565,939,729	565,939,729
No. savings shares	9,432,170	9,432,170
Capitalisation (ord + pref) (in million €)	11,892	14,017

Concerning the Bank's shareholder base, according to the notifications sent to BMPS and Consob pursuant Art. 120 of Law Decree no.58/98, the main shareholders as of March 31^{st} 2006 were: Fondazione Mps (the majority shareholder, with a 49% stake); Caltagirone Francesco Gaetano (4.72%); J.P.Morgan Securities Ltd (3.01%); Hopa S.p.A. (3.00%); Unicoop Firenze (2.99%).

■ **MAJOR SHAREHOLDERS as per Art. 120 of Law Decree no. 58/98**

Fondazione MPS	49%
Caltagirone Francesco Gaetano	4.72%
J.P. Morgan Securities Ltd	3.01%
Hopa S.p.A.	3.00%
Unicoop Firenze – Cooperative company	2.99%

■ VOLUMES

The number of MBPS shares traded on a daily basis during the first three months of 2006 averaged around 12 million, with a 40-million peak in February and a 3.7-million low in January. A total of about 32% of the Bank's ordinary capital changed hands, with the turnover of the market float amounting to approx. 0.63 times.

MONTHLY VOLUMES OF SHARES TRADED

SUMMARY 1ST QUARTER 2006

	(in million €)
January	202
February	287
March	292

MAIN MARKET MULTIPLES

In terms of market multiples, at the end of March the shares were trading at 15.29 times the projected earnings for 2006 (source of earnings estimates: *IBES*) and at 1.94 times the 2005 book value.

MARKET MULTIPLES (in €)

	Q1 2006
Price/earnings per share	15.29
P/BV	1.94

DEBT RATINGS

The following table summarises the assessments of rating agencies, unchanged vis-à-vis 31/12/2005:

Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch Ratings	F-1	A+

MATERIAL EVENTS SUBSEQUENT TO THE CLOSING OF Q1

Here follows a list of the most significant events occurred after the closing of the first quarter on March 31st 2006.

- **On April 13th 2006** Banca Monte dei Paschi di Siena and Holmo SpA prolonged their Shareholders' Agreement about Finsoe to October 15th 2006;

- **On April 29th 2006** the Shareholders' Meeting of Banca Monte dei Paschi resolved to downsize the Board of Directors to 10 members and 2 Deputy Chairmen. Giuseppe Mussari, Ernesto Rabizzi, Fabio Borghi, Andrea Pisaneschi, Lucia Coccheri, Turiddo Campani, Pierluigi Stefanini, Francesco Gaetano Caltagirone, Carlo Querci and Lorenzo Gorgoni were appointed to act as Board members for the 2006-2008 period. Giuseppe Mussari was then elected Chairman of the Board, with Ernesto Rabizzi and Francesco Gaetano Caltagirone as Deputy Chairmen. The Board of Statutory Auditors elected for the 2006-2008 financial years is composed of Tommaso di Tanno (Chaiman), Leonardo Pizzichi and Pietro Fabretti, with Marco Turillazzi and Carlo Schiamone acting as alternates. The Shareholders' Meeting also resolved to again grant the Board the power to buy and sell up to 50,000,000 own shares over a 18-month period, and to authorise the dismissal of the business unit including the local tax collection offices in Rome, Latina, Grosseto, Leghorn and Siena.

- **In April** the stake in Carta SI Spa's controlling company (SI Holding Spa) increased further to 19.162%, with a book value of EUR 21.4 million.

OUTLOOK FOR 2006

In an operating scenario characterised by signs of a slight economic recovery, and in line with the growth path outlined by the 2003-2006 Business Plan, the Group's operating policy will focus on:

- fully leveraging the business potential of customer relations;
- enhancing and diversifying income sources;
- optimising costs, services and allocated capital.

Assuming the evolution of the financial markets and of the real economy is not particularly negative, the results as of March 31st 2006, combined to current trends and to the initiatives scheduled, should enable operations to be in line with planned targets.